Austria	Sch22	Indonesia	Rp3700	Oman	Or1
Bahrain	Din0.750	Iran	Rls200	Philippines	Peso25
Belgium	BFr60	Israel	Shk3.80	Portugal	Esc140
Cyprus	C£0.80	Italy	L1700	Qatar	Qr9.00
Denmark	DKr14.50	Jordan	Fils600	S.Arabia	Rls7.00
Egypt	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
Finland	Fmk7.50	Lebanon	L£20.00	Spain	Pta145
France	FFr7.00	Lux	LFr60	Sweden	SKr11
Germany	DM2.50	Malaysia	Rm4.50	Switz	SFr2.70
Greece	Dr150	Morocco	Dh8.00	Thailand	Bt50
Hong Kong	HK$12	Neth	Fl3.00	Tunisia	Din0.800
Iceland	Kr170	Nigeria	Naira10	Turkey	L800
India	Rup15	Norway	NKr10.00	UAE	Dh7.00

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LOMBARD

An Irish tale comes true

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World News

At least 30 feared dead in Thames boat crash

At least 28 people died in the River Thames after an early-morning collision between a London barge and a pleasure boat carrying about 100 party-goers.

London police feared 30 more passengers were missing. The master and mate of the barge were being questioned to establish if they had been drinking. Picture, Page 16; Reports, Page 7

Colombian arrests

Colombian police held nearly 4,000 criminal suspects after Friday's assassination of presidential candidate Senator Luis Carlos Galan. Yesterday, 50,000 mourners lined the route of his Bogotá funeral, demanding that his suspected drug-linked killers be brought to justice. Terror threat, Page 2

SA tensions rise

South African anti-apartheid organisations openly defied government restrictions on their activities in a move likely to heighten tension with Pretoria. Page 16

Kidnap victim free

Daniel van der Maren, a Belgian car dealer held for 55 hours by kidnappers who kept him hooded and handcuffed in the trunk of his own car, returned home safely. Reports suggested he had escaped without paying a ransom.

China delays paying

China has delayed payment of interest and principal on some loans from Japanese banks, blaming high inflation and lower tourism revenues for the delay, Japan's Nihon Keizai Shimbun newspaper said.

Iranian scrutiny

The Iranian Parliament will scrutinise this week the 22-member Cabinet chosen on Saturday by President Rafsanjani to implement plans for economic revival and improved foreign relations. Page 16

Sudan peace talks

Sudan's new military Government and the rebel Sudan People's Liberation Army opened preliminary peace talks in Addis Ababa. Page 4

Zimbabwe land plan

President Mugabe is to amend Zimbabwe's independence constitution next year to allow the compulsory acquisition of white-owned land as part of a new land resettlement policy. Page 4

Czech crackdown

Czechoslovakia's hard-line leadership mounted a heavy security operation to prevent demonstrations on today's anniversary of the Soviet-led occupation in 1968 which crushed reform moves under Alexander Dubcek. Page 2

Tourism takes off

Australia's balance of payments figures show earnings from tourism at A$8.2bn ($4.6bn) for the 12 months to June, moving ahead of wool as the country's largest foreign exchange earner. Page 4

Seoul poll victory

A Government party candidate convincingly won a Seoul by-election, a result which may foreshadow changes in the structure of South Korea's opposition. Page 3

Strike halts Arabs

A Palestinian strike in protest against new Israeli entry cards halted almost all movement of Arab workers from the occupied Gaza Strip into Israel. Page 3

Azerbaijan unrest

An unofficial political group in Azerbaijan called a 48-hour strike to press its campaign for greater local autonomy and continued control over the disputed area of Nagorno-Karabakh and said it wanted to close its oil industry.

Paper chase

More than a million copies of three new newspapers flooded Melbourne, marking the opening shots of a media battle between Australia's two news barons, Rupert Murdoch and Warwick Fairfax. Page 6

Business Summary

UK water groups seek £8bn before public sale

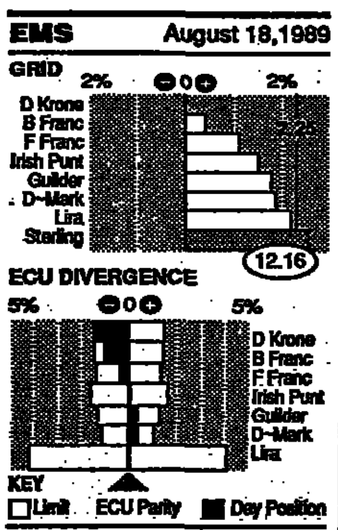
Ten UK water authorities have advanced plans to raise a total of £8bn ($12.8bn) in working capital from international banks, in the next stage before privatisation, planned for November.

British and foreign banks bidding to arrange the credits were provisionally advised late last week which would be favoured to raise the funds.

EUROPEAN Monetary System: The D-Mark was a little weaker in places against its EMS partners as the US dollar continued to improve; funds tended to move out of the D-Mark and into dollars to a greater extent than other currencies.

The French franc was the main beneficiary from the D-Mark's weaker tone, rising to a four-month high on Friday.

Trading elsewhere was generally lacklustre with some centres closed at the beginning of the week for a religious holiday and other centres affected by the summer holiday season.



The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira and Spanish peseta) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU), a basket of European currencies.

DEUTSCHE Bank agreed to buy, for a little over $1m, the Milan stockbroking subsidiary of Barclays Bank's loss-making Italian operation which owns a seat on the Milan Bourse. Page 19

STATOIL, Norway's state oil company, made a half-year profit of NKr2.7bn ($378.6m), the same as a year ago, helped by increased world crude oil prices. Page 19

BOND Corporation International, Hong Kong listed subsidiary of Alan Bond's business empire, said first half sales from the Chile Telephone Company, which it bought into in 1988, grew 35 per cent to HK$1.028bn ($132m). Page 19

CHICAGO Mercantile Exchange received rights in the UK to operate Globex, the after-hours trading system it runs with Reuters. Page 19

BAYERISCHE Hypotheken- und Wechsel-Bank, big West German bank which last month took a 50 per cent stake in Foreign & Colonial Management, UK fund management group, plans to raise about DM605m ($318m) through a new form of rights issue. Page 19

UK INFLATION, trade deficit are both set to decline steadily over the next 18 months, says Barclays Bank in an optimistic review of economic prospects. Page 8

SWISS Bank Corporation is introducing a new options product that allows small investors to trade on fluctuations in 5-year Swissfranc interest rates. Page 18

BAYER, West German chemicals group, sold its stake in the Austrian chemicals company Krems-Chemie to private shareholders. Page 19

OXDON Investments, Toronto consortium led by Unicorp Canada, raised its bid for Steinberg, the grocery and property group to C$80 (US$68) cash for the voting shares and C$60 for the non-voting, putting a total value on Steinberg of C$1.53bn. Page 20

BARLOW Clowes: liquidating the former empire of British businessman Peter Clowes, could cost more than £10m ($16m) including £5m already spent to wind up its Gibraltar-based offshore arm. Page 6

Gulf War enemies keep a fragile truce as peace talks drag on

WHEN Mr Javier Perez de Cuellar, UN Secretary-General, announced a ceasefire and talks between Iran and Iraq last year, he said: "I am persuaded that both countries and both governments are really interested in a peaceful solution of the problem," write Scheherazade Daneshkhu and Andrew Gowers.

But exactly one year after "D-Day," when the formal ceasefire took effect, there is little sign that the two countries are prepared to move beyond a fragile truce towards a peace treaty.

Since Iran's acceptance of Security Council Resolution 598 and the establishment of the ceasefire, Iran and Iraq have held four rounds of inconclusive peace talks under the auspices of the UN. Mr Perez de Cuellar is thought likely to attempt a fifth in the autumn, probably during the UN General Assembly.

Yet despite the lack of progress there has been no sign of an imminent resumption of hostilities.

Indeed, considering the enormous damage done by the eight-year war both in terms of money and men as well as the threat that it posed to the very survival of both governments at various times, Iran and Iraq have both been putting it behind them remarkably quickly.

Apart from embarking on new political adventures and alliances in the Arab world, Iraq has launched a serious reconstruction programme and has resumed oil exports down the Gulf.

The battered port of Basra has been given a comprehensive face-lift, there has been considerable investment in the southern harbour of Umm al-Qasr, and rebuilding is now under way on the Fao Peninsula, which was occupied by the Iranians until April 1988.

All these places would be in the direct line of fire if hostilities were to resume, so the fact that President Saddam Hussein has decided to devote significant resources to their rehabilitation is a sign of confidence that the guns on both sides are likely to stay quiet for the time being.

The Iraqis also claim to be demobilising troops although it is not clear that many have yet returned from the front.

Iran has not been particularly active abroad, its energies being almost entirely taken up with domestic preoccupations. Nor has it displayed any disposition to stir things up along the warfront.

Iran has demobilised its *basij*, or volunteer, army that suffered heavy casualties during the fighting, and reduced the length of army service. Strapped for cash, it has also declared thats its citizens abroad can pay $13,500 to get a temporary draft exemption certificate.

For many months now, Iran has scarcely mentioned what it once insisted on as a precondition for its acceptance of UN Resolution 598, namely that Iraq should be branded the aggressor in the war.

It would be tempting to conclude that this state of affairs makes it less pressing to move towards a peace treaty marking a formal end to the war. But it would also be wrong, both on humanitarian and long-term strategic grounds.

The humanitarian issue is the prisoners of war. While the citizens of both countries appear to have resumed their daily lives, some 100,000 men – 70,000 of them held by Iran – continue to languish in cap-

Continued on Page 16

Solidarity to decide on power sharing of government ministries

By John Lloyd in Gdansk

MR Tadeusz Mazowiecki, Poland's new Prime Minister, *returned to Gdansk yesterday*, Solidarity's birthplace, where he made tentative steps towards forming a government.

The Solidarity executive met for the first time since Mr Mazowiecki's appointment to decide how the ministries would be shared between Solidarity, the Peasants and Democratic Party, and the Polish United Workers' Party.

Composition of the Government, the country's first non-communist one since the end of the Second World War, will not be known until later this week.

On Saturday the Communist Party's Central Committee decided future strategy, with some party members rejecting any power sharing with a Solidarity-led administration.

The committee did, however, accept that it would play a role in a Solidarity-led coalition. Mr Marek Krol, a Central Committee secretary, insisted after the day-long gathering that the Party must have more than the Defence and the Interior ministries, if, for no other reason, than confinement to these two posts would give it a repressive image in the public mind.

Mr Mazowiecki, 62, is said to be prepared to allocate the Defence and Interior ministries to the Communists, a decision likely to reassure the Soviet Union, but less so its conservative East German and Czechoslovak neighbours.

Any decision on the government will depend on the outcome of Mr Mazowiecki's negotiations with the Peasants and the Democrats.

Such problems seemed far removed from the crowds which turned up to greet their new Prime Minister.

In Gdansk, replete with symbolism, the diffident and stooped Mr Mazowiecki was blessed by the people, his leader (as he called him), Lech Walesa and the Church.

"This is. . .the first Catholic Prime Minister of post-war Poland," said Father Jankowsky, the Solidarity priest in St Brygida's church.

This first public appearance since being nominated by President Jaruzelski on Saturday evening was designed to create a wave of support throughout Poland by placing its new leader in the nation's heart of resistance.

The symbolism of his pilgrimage was many-sided. He raised his hands to the crowd, knelt to pray, sang the half-religious, half-patriotic songs and repeatedly embraced Mr Walesa, his long-time friend and confidant.

The speeches after the

Continued on Page 16

Background, Page 2; Moscow press comments, Page 2

Tadeusz Mazowiecki (left) and Lech Walesa embrace in Gdansk yesterday where the Solidarity executive was meeting

Ford seeks 24-hour production in Europe

By Charles Leadbeater in London

FORD wants 24-hour production at its European assembly plants, with routine production at weekends, as part of a plan to transform the traditional organisation of manufacturing production.

Plants would produce for six or seven days a week, rather than the normal five. Ford gradually wants to replace the standard two-shift system, allowing production for 16 hours a day, with a three-shift system allowing 24-hour production.

The strategy is disclosed in a confidential presentation given last month to UK manual union leaders by Mr Albert Caspers, Ford of Europe's vice president for manufacturing operations.

The plan reflects growing pressure on car makers to raise productivity and reduce costs by making full use of expensive new technology production systems.

The widespread introduction of 24-hour, weekend production, would significantly raise existing plant capacity. But union leaders fear that combined with inward investment from the Japanese manufacturers, Nissan, Toyota and Honda, the move could create considerable over-capacity in the next decade, jeopardising the future of several assembly plants.

The Ford plan follows the introduction of weekend production at BMW's Regensburg plant in West Germany and a three-shift system at General Motors' Antwerp plant. Toyota is understood to be considering 24-hour, six-day-a-week production for its British plant currently under construction.

Continued on Page 16

France steps up emergency aid plea for Lebanon

By Lara Marlowe in West Beirut

SENIOR foreign ministry officials from the 12 members of the European Community are due to meet in Paris today to discuss emergency aid for Lebanon, with France stepping up its attempts to galvanise the international community into action.

Yesterday President François Mitterrand told a news conference in Spain that the French initiative for Lebanon had achieved results, but he added: "We must intensify this diplomatic pressure."

Mr Rene Ala, the French ambassador to Lebanon, said in Beirut that the approaching French aircraft carrier Foch and three other French warships off the Lebanese coast "could be necessary in certain circumstances, to carry out humanitarian actions".

Both he and Mr Mitterrand rejected suggestions that France might intervene militarily in Lebanon. "The ships have no military significance," said Mr Mitterrand.

However, the French efforts have been perceived in Moslem West Beirut as blatantly in favour of the Christians and Gen Michel Aoun, their leader.

Last night the Revolutionary Justice Organisation, one of the Shia Moslem groups linked to the pro-Iranian Hizbollah, said Western hostages would be in danger if the French navy conducted any "foolishness".

The group is thought to hold two of the 17 Western captives in Lebanon, and it accompanied its message – delivered to a Beirut newspaper – with a photograph of one of them, Mr Edward Austin Tracy of the US.

Earlier, Hizbollah criticised the French. It interpreted a statement by Mr Michel Rocard, the French Prime Minister, that he would not allow French rescue teams to be bombarded as a threat to shell west Beirut.

Hizbollah announced on local radio stations that France would be dealt with in the same way as its soldiers in 1983, when more than 50 French servicemen were killed in a suicide truck bombing by a Lebanese fundamentalist.

Mr Selim al-Hoss, the Prime Minister of the Moslem government, said: "The presence of units of the French navy off the coast of Lebanon can only reinforce the intransigence of Gen Aoun."

Mr Walid Jumblatt, the Druze leader who is allied with Syria, called on France to stop its support for the Maronite Christians. He is reported to have told Mr Alain Decaux, the French envoy, that the best thing France could do for Lebanon would be to evacuate Gen Aoun on one of her warships.

The Pope yesterday again called for an immediate ceasefire in Lebanon and said in Spain: "It seems the intention is to destroy the city of Beirut, especially the areas inhabited by Christians."

However, Syrian troops and Druze militiamen continued sporadic battles with the Christian forces throughout the weekend. These came in spite of commitments last week from both Gen Aoun and President Hafez al-Assad of Syria that they would try to stop the fighting that has killed almost 800 civilians, wounded more than 2,000 and driven most of Beirut's population from the city.

Aspects of BAT bid 'open to negotiation' says Goldsmith

By Nikki Tait in London and Nancy Dunne in Washington

SIR James Goldsmith, the Anglo-French financier whose Hoylake consortium is making a £13.5bn ($21bn) bid assault on BAT Industries, wrote yesterday to Mr Patrick Sheehy, chairman of the tobacco-based *conglomerate*, suggesting that all aspects of the offer would be open to negotiation if BAT would agree to a meeting.

This latest Hoylake initiative appeared to have been timed to coincide with the unveiling of BAT's first formal defence document later today, and to put pressure on the target company.

BAT speedily rejected the overtures, however. A return letter – sent care of Hambros Bank, Hoylake's adviser – suggested that if Sir James had a "significantly different" offer in mind, he should put it to shareholders. BAT went on to inform Sir James that it sees the bid as "destructive asset-stripping, motivated by the wishes of a *small group of* people to enrich themselves at the expense of BAT Industries' shareholders."

The Goldsmith letter, sent yesterday, was brief and couched in *fairly formal* "Dear Mr Sheehy" terms. In it, Sir James noted that BAT extended an *similar* invitation. to talks in the course of its £2.9bn bid battle for Farmers Group, the US insurance company, last year.

"In the same spirit, I and my associates issue an invitation to you and your colleagues to sit down and negotiate with us an offer, all aspects of which are open to to negotiation," continued the financier.

Hoylake declined to comment on whether "all aspects" of the offer specifically implied the possibility of a cash alternative being introduced to the current, all-paper terms. It merely reiterated that it would be folly to take on the hefty non-refundable underwriting/commitment fees involved in providing a cash alternative in a bid of this size, when the chances of its offer negotiating the US regulators within a 60-day offer period remained very unclear.

However, in a further statement, Sir James added: "It would seem more appropriate for Mr Sheehy and his colleagues to seek the best terms available for BAT shareholders rather than initiate, at shareholders' expense, an intense and extensive legal campaign, which would deny shareholders their right to reach their own decisions about their company". BAT strongly resists any suggestion that it has indulged in any frustrating action.

In reply, Mr Sheehy directed Sir James to today's defence document, saying that it would demonstrate that BAT shareholders "have had an outstanding return on their shares in recent years." The board, added Mr Sheehy, was determined that shareholders should continue to benefit from such returns in the future."

BAT's likely response to bid, Page 17

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THE MONDAY INTERVIEW

Sydney Mason (left), chairman of Hammerson Property for 31 years, is getting ready for casualties in the industry. But, barring unforeseen circumstances, neither he nor Hammerson will be going to hospital. Page 32

Prague police forestall protests at 1968 invasion

By Leslie Colitt in Prague

A HUGE security operation was mounted by Czechoslovakia's hard-line leadership to prevent demonstrations on today's anniversary of the Soviet-led occupation in 1968 which crushed the reformist communist movement under Mr Alexander Dubcek.

Hundreds of plain-clothes policemen strolled ostentatiously on central Prague's main boulevard, Vaclavske Namesti, and adjacent streets, where big anti-government demonstrations took place last May Day. Some of the patrolling security officials sported Western-style modified-punk hair-do's and leather jackets over naked chests in the sweltering heat.

Members of the opposition said they suspected the unusual security garb was designed to draw young Czechoslovaks into protest demonstrations which they believed would be organised by the police.

Shops and offices on the boulevard were ordered closed today several hours earlier than usual, an unprecedented action reflecting the level of official nervousness. The ban was aimed to defeat an opposition call for citizens to "walk peacefully" through the centre of Czechoslovak cities, and to stop and observe two minutes of silence at 5pm.

Other prominent dissidents, including Mr Vaclav Havel, the leading Czechoslovak playwright, urged people to stay off the streets to avoid giving the security forces any pretext to crack down.

Tension began rising on Saturday when nearly 100 young people defied a ban on demonstrating in mid-Prague by strolling in groups through Prague's Old Town. They were stopped by security officials and their identity papers checked. At times yesterday there were more plain-clothes men in the centre of Prague than ordinary Czechoslovaks.

The authorities previously told activists of the Charter 77 human rights movement to leave Prague this month or suffer the consequences. Those who refused were subjected to a 24-hour close surveillance.

Mr Karel Urbanek, a Charter 77 signatory, who stayed in Prague, said he opposed protest demonstrations at present out of fear that the authorities would use *agents provocateurs* to lure disaffected young people into demonstrating.

An editorial in the party newspaper Rude Pravo at the weekend reiterated a constant theme of the party since last October.

It said those who protested against the party were actually trying to undermine its economic reforms and the entire process of democratisation. Ordinary Czechoslovaks however said there were few signs of either taking place.

On the eve of the 1968 anniversary, the only communist ally of Czechoslovakia to back its stance on the 1968 occupation was hard-line East Germany.

Our Moscow correspondent adds: Soviet commentators are underlining the USSR's more liberated attitude to East Europe by reflecting on the 21st anniversary today of the invasion of Czechoslovakia.

In an interview with Izvestia on Saturday, Mr Kirill Mazurov, a former Politburo member who planned the invasion in 1968, said he would never agree to command such an operation today – although the invasion had to be understood in relation to the cold-war attitudes of the time."

When questioned, however, a former paratrooper was more apologetic: "I saw the pain and sympathy with which they [the Czechs] spoke to us, people who could have been our mothers and fathers," he said. "Forgive us, Prague."

Mazowiecki climbs into the driving seat

By John Lloyd in Gdansk

THE NEW Prime Minister of Poland drove himself carefully the 350 km from Warsaw to Gdansk yesterday in a Peugeot 205, the gift of the French Catholic trade union federation to the weekly paper of which he has just ceased to be editor.

Just before 11 am, Taduesz Mazowiecki inched through the crowds before St Brygida's Church and they, realising a little slowly who it was, cheered and clapped, but not too wildly.

He was greeted by Father Jankowski, the Solidarity priest whose steadfastness to the movement's cause, rhetorical and organising abilities, and sense of the dramatic has made of St Brygida's a shrine, a theatre and a centre of opposition.

But yesterday marked another step away from opposition towards power. Though his small car did not look the part, though he did not look the part, being spare, stooped, lugubrious and scholarly; though his entourage did not look the part, being non-existant – this was the designated Prime Minister of Poland.

He was mobbed by cameras and notebooks as far as the chapter house, to reappear minutes later with Lech Walesa, the Solidarity leader. Then, with a dozen television cameras blinding him, he sat beside Mr Walesa, in the latter's habitual place to the left of the high altar.

After the singing of the national anthem – "Poland will not die while we live" – and other part-religious, part-inspirational songs, Father Jankowski introduced a "Warrior for a free Poland".

Mr Mazowiecki came forward diffidently and raised his hands above his head like an old boxer.

After the service, devoted to the memory of the soldiers of the Polish Home Army (AK), he remained kneeling some minutes after Mr Walesa and the other Solidarity chieftains had risen to sing again.

Then back across the boiling yard to hear speeches from the balcony of the chapter house – soon interrupted by the chanting of a small but noisy group of teenager protesters from the Confederation for an Independent Poland (KPN), the Confederation of Fighting Youth (KMW) and Fighting Solidarity. They chanted: "We don't want a Prime Minister, we want bread" and "Down with Communism".

Mr Walesa grabbed the microphone: "Democracy doesn't mean anarchy... look at what we have achieved under our leadership – and we have achieved it without blood". Swiftly, he called a vote – who is for, who against Mazowiecki? Two thousand hands were raised for the new Prime Minister; five against. It gave Mr Mazowiecki a clearer run at a rather lame speech about his joy in coming back to the movement's roots.

Moscow press at last ventures to comment

By James Blitz in Moscow

AT LAST, a Soviet journalist has said it aloud: "The Polish Communist Party has ceased to be a leading party and is finding itself – to put it bluntly – in opposition".

The words appeared in yesterday's Soviet government daily, Izvestiya, in an article by Mr L. Toporkov, the paper's Warsaw correspondent. His is the first commentary on the appointment of a Solidarity Prime Minister in the Soviet press.

For the past week, the Soviet public has had to try to divine from cryptic reports that a new party has taken power in Poland. And that party is not Communist. Even under glasnost, the event is too sensitive for Soviet correspondents to comment on confidently. Few editors dared print anything except bulletins from the official news agency, Tass.

Yesterday, Mr Toporkov of Izvestiya grasped the nettle. He gave a complimentary profile of Mr Tadeusz Mazowiecki, the new Solidarity Prime Minister, adding: "I realise how difficult it is to write a piece about a man who stands outside the country's state apparatus. But there are many things we will have to get used to now. It will not be easy.

"Crises, failure and uncertainty are associated with the party [in Poland]. On that unpleasant wave, the voters have given preference to the opposition."

No Soviet official has yet given a considered comment. Last week, one foreign ministry official said the matter was an internal Polish one. Soviet officials have been anxious about Solidarity's progress to power.

Mr Anatoly Adamishin, a Deputy Foreign Minister, had described Mr Lech Walesa's attempts to form a government as "destabilising the situation, and inflicting damage on [Poland's] obligations as an ally".

The Kremlin is probably in a quandary over *what* to say.

Bedfellows welcome in Italian politics

By Alan Friedman in Milan

GARY HART, Cecil Parkinson and former Japanese premier Sousuke Uno should have been born in Italy. According to a survey published today in an Italian weekly magazine, all three would still be thriving politicians were they to stand as candidates from Milan, Rome or Naples.

The results of the opinion poll on the sexual mores of politicians, published in this week's issue of Epoca magazine, show that Italy, land of the Pope, the Church and the Vatican, clearly has the most permissive electorate in the western world.

Some 66.4 per cent of the Italians polled say they would continue to vote for a political leader were he (or she) to be found to be having an extra-marital affair. An even more substantial 74.6 per cent say a cabinet minister or other high-ranking politician should not be forced to resign from office just because of the odd sexual peccadillo.

And when asked to comment on the state of affairs in other western democracies, the Italians were equally unequivocal: more than 66 per cent say it is unreasonable that "important foreign politicians" should be made to stand down on account of their "sentimental adventures".

There is palpable sympathy among the Italians for Messrs Hart, Parkinson and Uno, not to mention former Greek Prime Minister Andreas Papandreou, plus a liberal dose of distaste that the memory of President Kennedy should be smeared merely because, as one Italian commentator put it yesterday, "he fooled around behind Jackie's back with neurotic frequency".

Perhaps there is nothing really new in this new Italian opinion poll: Italy is after all the nation which coined the term "separati in casa" to denote married couples who take external lovers.

It is also the only European nation whose Foreign Minister – Mr Gianni De Michelis – has written a guide to 250 discotheques. Indeed Mr De Michelis is often photographed doing a two-step with a pretty girl in a night club, while Italy's new Deputy Prime Minister, Mr Claudio Martelli, is a notorious night owl.

German migrants find a cool welcome in the Fatherland

David Marsh looks at the effects of large-scale arrival of ethnic Germans from East European countries

PFORZHEIM is a traditional goldsmiths' town in the West German state of Baden-Württemberg, devastated by Second World War bombs, now bustling and prosperous. It is also a focal point for strains in the Federal Republic caused by large-scale immigration of ethnic German refugees from the Soviet Union and east European countries.

The new arrivals, provided they can prove German descent, are guaranteed a place in West German society. Bonn governments have urged that the German population in communist states be allowed to come back to the Fatherland. Now they are here, the refugees are adding to pressure on social services and housing – sparking a resentment which has contributed to the electoral success of far-right parties such as the Republicans.

Set off by upheaval in the East bloc, and the magnetic attraction of West Germany's strong economy, more than 400,000 ethnic Germans are expected to enter the Federal Republic this year from eastern Europe. This is 10 times the annual post-war average.

Haidach, a housing estate with about 12,000 inhabitants on the southern outskirts of Pforzheim, provides indications of the challenge. It is a comfortably-off-looking place, where apartment-block balconies boast geraniums and TV satellite dishes. Since the 1970s, Haidach has become a favoured destination for German refugees from the Soviet Union – to the dissatisfaction of many established residents.

Mr Karl-Heinz Engel is a cheerful official in the Pforzheim housing department. He says lack of sufficient homes is the main difficulty. Work is not too difficult to come by – the Pforzheim unemployment rate is a below-average 4.2 per cent – and local metal companies are offering vacancies in notices pinned up in the hostel's entrance.

Mr Engel's department has requested public funds to build 360 apartments in the town's latest housing programme – but was given authorisation for only 60.

Mr Engel sees the dilemma over the émigrés. "We have asked them to come. We cannot hold open the window for years – and then, when they arrive, say it was all a joke."

A woman sweeping the street plays down the problems of integration. "Everybody's human," she says. She herself was a refugee from Yugoslavia after the war. A passer-by says local residents complain about the noise the newcomers make.

Some of the 200 East Germans who rushed past Hungarian border guards into Austria on Saturday wave their new passports, granted earlier by the West German embassy in Budapest

An old Pforzheimer man with rheumy eyes and a striped red shirt is more forthright. He says of the intake from the Soviet Union: "There are too many", and terms the younger ones "rowdies".

Scrawled on the glass wall of the bus shelter is the black-painted graffito: "Deutschland soll deutsch werden" ("Germany should be German"). Next to it is daubed the equally revealing motif: "I love Marco".

Interviewed 200 miles to the south-east, Mr Franz Schönhuber, the Republicans' leader, observes that it might be better if the refugees stayed at home.

"In a Slavonic environment, they have warmth and friendliness, they can talk with the neighbours. You go to a German family and ask if you can talk to them," he says bitingly. "They will also ask if you have officially registered that you're coming – and, if not, they will call the police."

The newcomers are ripples on a tide unleashed by the war. Between 1945 and 1953, 12m German refugees from eastern Europe, displaced by Communist takeovers, swept into what is now West Germany. A further 2m died along the way in one of the biggest movements of humanity in history. Two generations later, they are still flooding in. In 1988, the first year of the new wave, 242,000 arrived – made up of 202,000 from eastern Europe (mainly the Soviet Union and Poland), and 40,000 from East Germany.

In Haidach, the reception hostel's capacity is stretched to the limits. At present, it houses 400 men, women and children crammed into 32 three- and four-bedroomed flats. A further 800 newcomers are lodged in hotels and boarding houses in the area.

One of the hostel's more loquacious residents is Margareta, a lady from Murmansk, one of the millions of indigenous Germans forcibly settled in the Soviet Union after the war. She arrived in West Germany last year with about a dozen relatives after a 30-year wait for an exit visa. Even though she has been waiting now for a year for a flat, she says she has no regrets about coming.

"We were dreaming day and night of Germany," she says. "I have come here not to have a good life, but so that my children can be German. One of my uncles said he wanted to come here so he could be buried under German earth."

Her forefathers emigrated to Odessa from Landau, not far away in the Rhineland Palatinate – and Margarete speaks the Palatinate dialect.

In one of the overcrowded flats upstairs, a couple in their 30s from Kazakhstan speak diffidently about their new life in a bunk-bedded room they share with their two young sons. Georg is a construction engineer who is about to embark on a technical course in nearby Karlsruhe. His wife Rosalinde is a music teacher. Both have already been on German language courses, and their sons have settled down well at school. Their parents already moved to Germany some years before.

They express some frustration at the cramped conditions, but talk hopefully of getting jobs. Rosalinde says: "We knew we would not get everything we want here" – but, ironically, government hand-outs for the émigrés are one of the reasons behind public discontent over the emigrant tide.

Mr Manfred Mürle, head of the local Lastenausgleichsamt, the office disbursing funds to refugees, says subsidised loans for items such as furniture average around DM 7,000 (£2,258) a family. Integration is more difficult than in the 1950s, he says. "It takes longer to be accepted."

Mr Engel from the housing department says many new arrivals speak the local Swabian dialect in its form of 100 years ago and they are puzzled about the number of English words now used in the German language.

Some disillusionment is inevitable as they adjust to their new homeland. "They come here and find the Germany they thought of no longer exists" – but, compared with Russia, they still prefer Haidach.

Egyptian police arrest suspected coup plotters

POLICE have rounded up a group of Moslem militants suspected of plotting a coup in Egypt and sabotaging foreign interests, Attorney-General Gamal Shoman said on yesterday, Reuter reports from Cairo.

He said police arrested 41 Shia Moslems and were hunting 16 others suspected of planning to topple President Hosni Mubarak and to attack the interests in Egypt of Iraq, Israel, Kuwait, Saudi Arabia and the US. Egyptian Moslems are predominantly Sunni.

Mr Shoman said most of the suspects were trained in sabotage in Syria, Iran, Cyprus and India over the past two years. They had planned to launch an Iranian-style Islamic revolution in Egypt to topple the existing government, he added.

Investigations were continuing and no formal charges had yet been made.

Azerbaijan strike called

An unofficial political group in the Soviet republic of Azerbaijan has called a 48-hour strike to press its campaign for greater local autonomy and continued control over the disputed area of Nagorno-Karabakh, Reuter reports from Moscow.

The Azerbaijani Popular Front wants to close down the city's important oil industry, but prospects of oil workers joining the work stoppage were unclear.

Moldavian nationalists yesterday threatened to go on strike if their mother tongue did not supersede Russian as the Soviet republic's official language, Reuter reports from Kishinev.

Top Afghan general defects

An Afghan Army general who once directed President Najibullah's personal security force said yesterday he had defected, and claimed the Kabul government could not survive without Soviet aid, AP reports from Peshawar.

Major-General Mohammad Farouk Zarif, 39, appeared at the Pakistani headquarters of Afghan anti-communist rebels. He is the highest-ranking former military officer the insurgents have ever presented publicly.

Western diplomats in Peshawar, near the Pakistani border with Afghanistan, confirmed the man's identity and that he had been an important security officer.

Montenegrin inflation rally

Some 30,000 people attended a rally in the Montenegrin town of Niksic yesterday to protest at rising inflation and poverty, AP reports from Belgrade.

Speakers at the rally, which was shown on national television, criticised the government of Premier Ante Markovic, which has emphasised the need to revive Yugoslavia's stagnating economy by encouraging market-oriented reforms.

Sri Lanka talks with radicals

Sri Lanka's prime minister yesterday said the government has begun negotiations with an array of radical groups to end violence associated with the two-year-old Sinhalese uprising, AP reports from Colombo.

Prime Minister Dingiri Banda Wijetunga said blood-letting in the once-peaceful island nation could not resolve the demands of any group.

At least 4,000 people have been killed since Sinhalese ultra-nationalists began a campaign against the Sinhalese-dominated government in July 1987.

China hits at British 'interference'

THE Chinese government has accused Britain of interfering in its internal affairs when a British official said Chinese troops should not be stationed in Hong Kong after the colony reverts to Chinese rule, an official report said yesterday, AP reports from Peking.

The criticism was sparked by comments last Monday by Mr Barrie Wiggham, Hong Kong Secretary for General Duties, on the draft Basic Law, the British colony's constitution after it returns to Chinese rule in 1997.

"Recently, some British officials brazenly and flagrantly criticised and wantonly interfered in the work of drafting the Basic Law, and even violated the regulations of the Joint Declaration" signed in 1984, the People's Daily quoted an unidentified Foreign Ministry spokesman as saying.

Under the Joint Declaration, Britain agreed to hand Hong Kong back to China.

The report did not quote Mr Wiggham, but said his comments violated "the letter and the spirit" of the declaration and amounted to interference in China's internal affairs.

A senior Chinese official earlier this month said the Chinese army must be stationed in Hong Kong after 1997 to demonstrate Chinese sovereignty.

Worries about returning Hong Kong to China have mounted since Peking cracked down on a popular, pro-democracy movement with a military attack on demonstrators on June 3 and 4.

The government says fewer than 300 people died, but diplomats and witnesses say as many as 3,000 may have perished.

Britain has asked for a delay in settling the Basic Law, saying it needs more work, but China has refused. Britain is not involved in the drafting of the Basic Law by Hong Kong and China.

Colombian terror group threatens more killing

By Our Foreign Staff

A GROUP claiming to represent Colombian drug barons vowed in a statement at the weekend that it will keep killing public figures. This came while police and troops were arresting some 4,000 people in a national crackdown on suspected drug traffickers.

The crackdown followed the assassination, at a rally on Friday near Bogotá, of Senator Luis Carlos Galan, likely candidate for the ruling Liberal Party in the presidential election next year.

His funeral in central Bogotá yesterday brought 50,000 people onto the streets, many shouting for the drug barons to be crushed.

Drug traffickers swore two years ago to kill Mr Galan, who wore a bullet-proof vest in public. He was attacked by a man armed with a machine-gun.

President Virgilio Barco said on national television that drug traffickers will be extradited to the US and their property confiscated.

The shadowy group, The Extraditables, had its threat to go on killing opponents of the drug trade – "now the fight is with blood" – broadcast by a main radio network and printed in one of the capital's main daily newspapers.

Richard Johns reports from Tecun Uman, Guatemala: President Carlos Salinas de Gortari of Mexico and President Vinicio Cerezo of Guatemala agreed at a weekend meeting here to intensify collaboration against drug-trafficking.

Partly because of recent Mexican successes against the drug business, Guatemala has become a prime transhipment point for cocaine bound for the US, and a centre for cultivation of opium poppies and marijuana.

Mexico also undertook to respect the human rights of Guatemalan immigrants, legal or not. The flow of Central Americans seeking to reach the US is a constant trouble for Mexican authorities.

Mexico did not give into any demands for the removal from the southern Mexican state of Chiapas of some 20,000 documented refugees whom the Guatemalan army suspects of providing bases and support for guerrillas fighting in the north of the country.

W Germans 're-exported US lasers to Pakistan'

By David Goodhart in Bonn

WEST Germany's ability to monitor its exports has come under close scrutiny following a report on the export of banned nuclear technology to Pakistan by the Hesse-based Neue Technologien (NTG).

Nuclear Fuel, the specialist nuclear industry publication, alleges in its latest issue that NTG imported from the US two high-powered lasers and then re-exported them two weeks later to the Pakistan Atomic Energy Commissions for use in nuclear fuel manufacture.

The report suggests that the re-export in 1986 of the lasers, made by a 50 per cent-owned subsidiary of General Electric, had been contrary to both US and West German export control regulations.

NTG, to date, has made no comment on the allegations.

The company first came to prominence at the end of last year when the Federal Prosecutor in the town of Hanau said he had opened an investigation into whether NTG had illegally exported nuclear materials to Pakistan, India and South Africa.

Now Mr Reinhard Hübner, the Hanau prosecuting attorney, says the investigation is shifting attention towards the US. It is understood that the US Justice Department is likely to be asked for assistance. Until recently, "we have not had sufficient grounds" to pursue the German companies' business in the US, "but that no longer seems to be the case", he said.

The US export control system appears, in this case, to have been as lax as the German system, so it is unlikely to cause the chorus of complaints about German complacency triggered by the Libyan chemical weapons plant row earlier this year.

The US authorities seem to have made no effort to verify whether NTG's end-user statement – which maintained that the lasers would remain in West Germany – was true. Lack of proper communication between the US and German authorities is also highlighted by the fact that long after investigations began in West Germany into Mr Rudolf Ortmayer, NTG's former technical director, the US Labor Department last year granted him a work permit.

Popularity of Norway's far right grows

By Robert Taylor in Stockholm

NORWAY'S radical right Progress Party looks set for a sensational performance in the country's general election in three weeks.

The latest opinion poll from the country's main polling organisation – Opinion – published this weekend in the country's leading newspaper, Aftenposten, suggests Progress is storming ahead of the traditional Conservatives to become Norway's second biggest party.

According to the survey, Progress will receive 21.2 per cent of the votes, compared with only 17.9 per cent for the Conservatives. This would ensure Progress secured 36 seats in the next Parliament, with 31 for the Conservatives.

Such a result would be the biggest upset in post-war Norwegian elections. Only four years ago, Progress won a mere 3.7 per cent of the vote and two seats in Parliament when the Conservatives secured 30.4 per cent support.

The Conservatives, under the lacklustre leadership of Mr Jan Syse, face catastrophe in the election.

The populist appeal of Progress under its youthful-looking leader Mr Carl Hagen is now a serious threat to Norway's consensus politics.

The beleaguered ruling Labour Party under Mrs Gro Harlem Brundtland has only 31.6 per cent of the votes in the latest poll, compared with 40.8 per cent in the 1985 general election. There is now a danger of political paralysis after Norway goes to the polls on 11 September.

Business link claim in Indian conspiracy case

By David Housego in New Delhi

THE case of conspiracy to murder, involving one of India's largest industrial corporations, Reliance Industries, took an unexpected turn at the weekend with disclosures of an alleged business link between Mr Mohan Katre, head of the country's Central Investigation Bureau (CBI), and Reliance.

Mr Kirti Ambani, public relations manager of Reliance, has been charged with conspiring to murder Mr Nusli Wadia, the head of Bombay Dyeing and a bitter enemy of Mr Dhirubhai Ambani, the head of Reliance. Mr Kirti Ambani, who is not related to Mr Dhirubhai Ambani, is accused of having hired killers from the Bombay underworld to eliminate Mr Wadia.

The initial investigations of the case, which has immense political repercussions because of Reliance's close connections with Mr Rajiv Gandhi's administration, were carried out by the Bombay police. But the case was taken over by the CBI at government instructions.

The opposition has made repeated allegations that Mr Katre has stalled CBI investigations into alleged foreign exchange, licensing and fraud charges against Reliance. But the newspaper Indian Express, which backs the opposition and is supported by Mr Wadia, made disclosures at the weekend which alleged a closer link between Mr Katre and Reliance.

The paper claimed that Mr Katre's only son, Umesh, sold the substance LAB (linear alkyl benzene) for Reliance through a third company. It claimed that the company had earnings from Reliance of Rs 5.4m (£208,000) a year.

The disclosures were made after Mr Maneck Davar, co-editor of a law magazine, approached Mr Umesh Katre as a supposed purchaser of LAB on behalf of a non-existent company. Mr Umesh Katre negotiated for him the purchase of three tonnes of LAB from Reliance, took an advance deposit, and arranged for the rest of the Rs 97,507 in cash.

Mr Mohan Katre said yesterday that his son was in business and that he had no responsibility for his affairs. Mr Umesh Katre is also agent for Birla's and Dalmia's, two other large groups, in selling chemicals.

Mr Davar taped conversations he had with Mr Umesh Katre and published in the Indian Express a signed letter from him confirming the contract.

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OVERSEAS NEWS

Testing time for Algerian reforms

Francis Ghiles looks at an undercurrent of tension and pessimism

SINCE last autumn's bloody riots, Algeria seems to have all but vanished from the headlines. But 10 months on from the worst violence since Algeria won independence in 1962, ferment and change continue in North Africa's largest country.

In February, a large majority of voters endorsed reforms proposed by President Chadli Bendjedid which called for a multi-party system and the end of the country's all out commitment to socialism.

There have been further – albeit sporadic and localised – outbreaks of violence during the past 10 months, and some strikes.

But most of the time has been taken up with a fierce debate between those who wish to put reforms into practice and those who, for reasons of ideology or because they fear for their privileges, are doing all they can to thwart the head of state.

The absence of any tradition of reasoned debate has not made matters easier. Nor has the fact that people are often more intent on venting long silenced grievances about lack of jobs, housing and regular water supplies and denouncing past mistakes than in offering constructive suggestions.

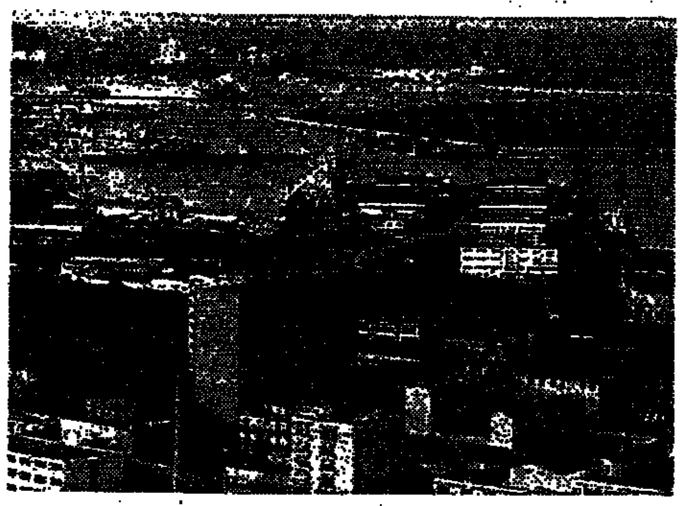
The extraordinary idealism which pulsed through Algeria in the 1960s and early 1970s has given way to an exausted sullenness.

The press, and not simply the weekly Algerie Actualite *which has for years acted as a flagship for glasnost*, has provided an increasingly open forum in which a broad range of Algerians have been able to express themselves.

Radio and television have also joined in, the latter's impact growing as it has taken to transmitting large extracts of passionate debates taking place in the National Assembly.

Mr Belaid Abdesselam, who was Algeria's much feared economic overlord throughout most of the years when the late President Boumediene ruled (1965 to 1978), recently broke a 10-year silence to denounce the economic policies of his successors and bemoan the abandonment of *all* reference to socialism.

And in the other corner, Mr Mohamed Boudiaf, one of the leaders of the fight against France, who has lived in exile for a quarter of a century, emerged to explain why he felt that the Front de Liberation National (FLN), which has held a monopoly of power for 27 years would find regenerating itself impossible.



Algeria's oil income, expected to rise by at least $1bn to $8.87bn, *will enable more imports of spare parts and consumer goods, of* which Algeria has been starved since 1986, through Algiers port

The National Assembly, meanwhile, all of whose members belong to the FLN, recently concluded an extraordinary session debating bills which, as they become law, spell the end of an era.

Last month, it unanimously endorsed a bill which allows political parties and associations independent of the FLN to be set up. Many are already operating, none more actively than the two leagues of human rights.

Pointed questions are being asked about why those members of the security forces who were responsible for torturing hundreds of young people last October have not been brought to trial.

Hitherto unseen and unknown voices and faces are making their appearance on radio and television. The deputies have also passed a new electoral law and are preparing to discuss what many Algerian and foreign observers hope will be a more liberal joint-venture law.

The Assembly is has just voted a new press code which is far more restrictive than many observers had expected. Existing newspapers, radio and television will remain under state control and all new publications will have to be in arabic.

Those Algerians, especially among the more educated ones who a few months ago were keenly looking forward to the promise of liberalisation which the referendum carried are beginning to wonder how many of their compatriots, be they FLN activists or simply the mass of youngsters under 18 years of age are really interested in "democracy."

The authorities are not the only ones who are worried because they know that the greater measure of freedom of expression the country has enjoyed these past nine months has done nothing to alleviate the shortage of water and of many ordinary consumer goods, let alone provide more jobs or housing.

The intense resentment which is now spread out in the columns of the press is, if anything, fuelling a more open sense among Algerians that they have been betrayed by their rulers and that the country's oil wealth has been squandered.

Pessimism is fuelled by the fact that virtually no new younger faces have been brought into government. An unprecedented number of brighter, often foreign university educated "cadres" are seeking to emigrate.

The pressure exercised by Moslem fundamentalist activists is further alienating many among the professional classes, in particular women.

A couple of months ago an incident in Ouargla, 800km south of the capital deeply shocked the country. Religious fanatics burned down the house of a divorced woman whose lifestyle they claimed was lax, killing one of her two children in the process.

The culprits were arrested but freed a few days later by the police. A delegation of *"moudjahida"* (women freedom fighters), protested to the authorities, saying that they did not spill their blood between 1954 and 1962 to accept such expressions of intolerance today.

The Ouargla incident underlined how unwilling or powerless to act the authorities appear to be. Rocketing food prices during the month of Ramadan provided another clear illustration, this time of how those who have recently bought up state land and control the distribution circuits, whom ordinary Algerians nickname the *"millionaires du legumes,"* can hold the population to ransom.

President Bendjedid can at least draw comfort from the fact that Algeria's oil income will this year rise by at least $1bn to $8.87bn and could move even higher if the price of oil remains steady, thus allowing for more imports of spare parts and consumer goods, of which Algeria has been starved since 1986.

The succesful conclusion of negotiations to raise SDR470.9m from the IMF, on minimal conditionality and the strong support provided by France, Italy, Spain and Japan to Algeria's able Minister of Finance, Mr Sid Ahmed Ghozali have helped rebuild a much greater measure of confidence among Algeria's foreign creditors in the country's ability to avoid being forced into rescheduling its foreign debt of $20-21bn.

The present tense uncertainty and continuous debate is meanwhile bound to continue until the special FLN party conference called for the end of October. But, looking back on the months since last autumn's upheaval, even the pessimists can say "so far, so good."

By-election win for S Korean ruling party

By Maggie Ford in Seoul

A GOVERNMENT party candidate has won a convincing victory in a central Seoul by-election and the result may point to changes in the structure of South Korea's opposition.

Mr Rha Woong Bae, a moderate former economic minister, polled 45,187 votes. He was 10,000 ahead of the runner-up, Mr Lee Yong Hee of the Party for Peace and Democracy led by Mr Kim Dae Jung.

The result surprised observers, who had expected a close *three-cornered race between* Mr Rha, Mr Lee and a candidate of the opposition Reunification Democratic Party led by Mr Kim Young Sam. The RDP candidate was well behind Mr Lee of the PPD, with only 22,000 votes. Middle-class voters apparently transferred support to the ruling party.

The result shows that the ruling Democratic Justice Party, though not popular, is capable of winning well, especially if it fields good candidates.

The result will also give some satisfaction to Mr Kim Dae Jung, who has been under strong attack by the security forces for alleged links to North Korea. Despite what he described as a "smear campaign", support for his party held up strongly.

The result will aid the efforts of President Roh Tae Woo to direct the country into a more democratic mould without instability. His team will welcome the addition of Mr Rha, a former professor with substantial Government experience.

The main losers are the two smaller opposition parties. The result does not change the line-up in the National Assembly, where the ruling party lost its majority last year, but will tend to confirm Mr Kim Dae Jung's position as the main opposition leader.

● An independent newspaper reflecting the views of conservatives in power during the previous government of former President Chun Doo Hwan is to be started in South Korea.

Israeli soldiers yesterday check Palestinians' identity cards required for them to leave Gaza Strip

Gazans heed calls to boycott Israeli security card system

By Tony Walker in Jerusalem

PALESTINIAN activists demanding that Gaza Strip workers boycott employment in Israel to protest against the *introduction of new security* cards, appear to have won the first round in a "tug of wills" with the Israeli authorities.

By late yesterday, only a small trickle of Arab workers had crossed into Israel under the new system, which came into force on Friday. On a normal Sunday, the first day of the working week, up to 50,000 people, most of them going to their jobs, leave the Gaza Strip for Israel.

The authorities introduced the new magnetic card system – 60,000 cards have been issued to Gazan men – in an effort to tighten security in Israel itself.

Gaza Strip residents who have a criminal record or are *known political activists* are not eligible for the cards, nor are those who have not paid fines and taxes.

Activists, including masked youths, have been confiscating cards in an effort to enforce calls for a boycott. The Israeli army claimed that a Gaza man *was killed on Saturday night* when he refused to give up his magnetic card.

The man was one of five Palestinians who died in the continuing violence in the occupied territories at the weekend. The deaths take numbers of Arabs killed to 603 since the uprising against Israeli military rule began in December, 1987.

Calls by the leadership of the 20-month uprising for Gazan workers employed in Israel to withhold their labour is part of a remorseless struggle for control being waged between the two communities.

The response of West Bank workers employed in Israel to a call to strike for a week in solidarity with their Gazan counterparts was reportedly mixed.

Up to 200,000 Arab workers, most of them employed in low-paid jobs, from both the Gaza Strip and the West Bank, normally travel to work in Israel each day.

Since soon after the start of *the uprising*, Palestinian activists have been urging Arab workers to cease employment in Israel. But in the impoverished Gaza Strip and in the West Bank jobs are scarce. Arab workers dominate the construction sector in Israel.

● Israel has protested to Jordan through the US for allowing recent Iraqi reconnaissance flights close to the Israeli border.

Israeli reports say that Iraqi aircraft flew at least two missions along Jordan's border with Israel. A spokesman for Mr Yizhak Rabin, Israel's Defence Minister, refused to comment on the reports.

Israel fears that Iraq, with the winding-down of the Gulf war, will now become more active in other Arab theatres. Iraq's growing involvement in the Lebanon conflict is a cause of concern in Israel.

OVERSEAS NEWS

Hawke threatens pilots with legal action over stoppages

By Chris Sherwell in Sydney

AUSTRALIA'S pilots, under attack from the Government, trade union leaders and public, must decide today whether to continue a campaign of industrial action which has thrown domestic flights into chaos and threatens the centralised system of wage-determination.

Yesterday Mr Bob Hawke, the Prime Minister, said the pilots faced possible legal action by the federal government. His warning followed talks with executives of the airlines and reinforced a similar ultimatum on Saturday from the Industrial Relations Commission, the main arbitration body, which ordered a resumption of normal working by 4 pm today.

The pilots, who are seeking a pay rise averaging 29 per cent, escalated their campaign on Friday by deciding to work from 9 am until 5 pm daily. A week earlier they conducted 12-hour "rolling stoppages" in different cities over a period of four days.

The dispute has added to the malaise infesting Australia's over-regulated and over-priced domestic airline system, which has recently been debilitated by disputes involving air traffic controllers. Its wider significance, however, is that it shows a group which dislikes being part of the traditional wage-fixing system trying to break out of it.

If it succeeds, other unions in the aviation industry say *they will follow suit*, jeopardising the carefully-constructed latest version of the wage-restraint "accord" between the Labor Party government and the trade union movement. That prospect is anathema to the Government and the leadership of the trade union movement as well as the airlines, which would rather grant the lower increases under the accord.

The pilots are relatively privileged "workers". They claim to have lost ground over the past six years, but their average pay of just under A$80,000 (£39,000) a year means the rises they are seeking are higher than national average earnings. They say they should be treated like other professional groups outside "the system", such as judges or MPs, and are apparently ready to risk losing the protection enjoyed by workers in the system.

Last week Mr Paul Keating, the federal Treasurer, said the pilots were following a "very foolish and risky" course. The Government by Friday was backing the airlines' application to the Industrial Relations Commission to cancel the pay and conditions agreement with the Australian Federation of Airline Pilots. The full Commission considered the matter further on Saturday and set today's deadline.

Tourism leads exchange earners

By Chris Sherwell

TWO years ago, coal was king in Australia. Then in 1988 the country re-rode the sheep's back. This year, for the first time, tourism is the country's largest foreign exchange earner.

A breakdown of balance of payments figures released earlier this week shows earnings from tourism at A$6.2bn (£2.9bn) for the 12 months to June 1989 – compared with A$6bn brought in by wool exports.

After the quarry and farm, it is now the turn of the hotel to lead the fight against Australia's yawning current account deficit of A$17bn-A$18bn.

According to the Bureau of Statistics, A$4.7bn of the A$6.2bn total came from spending by non-residents on goods and services in Australia, and the remaining A$1.5bn from "passenger services" – air and shipping revenues from non-residents.

Mr Clyde Holding, the Tourism Minister, was cock-a-hoop yesterday, seizing on the trend to retaliate at critics who say tourism is waning after last year's bicentennial and Expo '88 excitements.

Latest statistics show that Australia has suffered a slowdown in tourist arrivals – hardly surprising after the unsustainable rises of 1988. For the 12 months to June 1989, international arrivals increased 12 per cent, or about half the pace of the previous year.

The bleaker fact is that, in the first half of 1989 arrivals were actually down 3 per cent on the record 1.1m visitors in the first six months of 1988, when the bicentennial celebrations were at their peak.

The principal source of the decrease was New Zealand, which showed a decline of almost 14 per cent. This reflected the fact that New Zealanders were enthusiastic visitors to Expo '88 in Brisbane.

The Australian Tourist Commission says forward bookings lead it to expect stronger growth later this year. But it is a moot question whether Australia's fastest growing industry can consolidate its position above more traditional earners.

ANC 'seeks pragmatic position'

By Nicholas Woodsworth in Harare and Michael Holman in London

THE African National Congress (ANC) of South Africa and other African leaders, meeting in Harare today, hope to reach agreement on a document setting out the organisation's terms and objectives, in the case of the Pretoria government agreeing to constitutional talks.

The meeting, under the aegis of the Organisation of African Unity (OAU), will have President Hosni Mubarak of Egypt in the chair and will come a week before a scheduled meeting of President Kenneth Kaunda of Zambia and Mr F.W. de Klerk, South Africa's acting president, at which the prospect of such talks will be discussed.

The document, yet to be disclosed, is the product of consultations between the ANC and groups within South Africa. It is thought to reflect a pragmatic stance urged on the ANC during talks with African leaders, including President Kaunda and President Joaquim Chissano of Mozambique.

The ANC has taken into account the views of the Soviet Union, the organisation's main backer. Moscow has been making clear it has misgivings about the ANC's military strategy, has advocated a mixed economy, and said that white fears about the impact of majority rule must be allayed.

At the meeting today, participants will review a paper drafted by the seven African front-line states to outline their response to the situation in the region. The paper is based on a document drawn up by the ANC so as to stimulate debate on the question of negotiations with Pretoria.

Issues covered in the ANC document include preconditions and mechanisms of negotiation; the question of who among anti-apartheid groups might take part in talks; sanctions and the use of violence; and the role of the international community.

"We [the ANC] have adopted a regional, unified position with the front-line states," Mr Thabo Mbeki, ANC Director for International Affairs, said. "I am sure there will emerge a common position with the OAU that will not be in contradiction with what the ANC thinks."

Mr Mbeki said the ANC's position on preconditions to negotiations with Pretoria had not changed. These include the release of political prisoners, the ending of the state of emergency in South Africa, withdrawal of troops from the townships and an end to bans of political organisations.

"Nothing has happened to demonstrate that the regime has arrived at a position where it seeks negotiation. That doesn't mean we shouldn't put forward a demand for a political resolution. We are ready to negotiate tomorrow," Mr Mbeki added.

Mugabe to allow takeover of white-owned land

By Tony Hawkins in Harare

PRESIDENT Robert Mugabe's government is to amend Zimbabwe's independence constitution next year to allow the compulsory acquisition of white-owned land, where necessary. It is his most explicit statement yet on a new land resettlement policy.

In three speeches in the past week, President Mugabe has climbed aboard the land acquisition bandwagon started by Mr Joshua Nkomo, long his political rival but now a colleague in government.

Mr Nkomo, leader of the ZAPU wing within the ruling coalition, has been warning white farmers they must make more land available to landless peasants, especially in his home territory of Matabeleland.

President Mugabe has taken up the theme, which is politically attractive for a government that has lost enormous public support in the past 18 months, and which faces general elections before 1990 ends.

Mr Mugabe said the Government was not happy with the land resettlement programme which to date has resettled only 52,000 families out of a projected 162,000, all of whom were supposed to have been provided with new land by 1985. "We need more land and the land has to come from the commercial sector," he said.

Zimbabwe has highly inequitable pattern of land ownership whereby the country's 4,200 commercial farmers, nearly all of them white, own the bulk of the best agricultural land.

But because they also produce some 80 per cent of marketed agricultural export, any land redistribution policy will have to be carried out carefully if economic disruption is to be avoided.

At the Lancaster House constitutional conference 10 years ago, it was agreed land could be purchased only on a "willing seller willing buyer" basis. But because insufficient farm land has been made available, the Government plans to amend the constitution to provide for compulsory acquisition. This can be done next April.

The President told a meeting at Gutu in the Midlands region that the willing-seller willing-buyer formula would be dropped in 1990 as soon as the relevant constitutional clause expired.

Initial emphasis would be on absentee landlords and farms which were not being fully utilised.

Sudan peace talks open

SUDAN'S NEW military government and the rebel Sudan People's Liberation Army (SPLA) opened preliminary peace talks in Addis Ababa at the weekend. The move comes against the background of a widening divide between the two sides, writes Julian Ozanne.

The meeting, aimed at finding a peaceful solution to the country's six-year-old civil war, is the first to take place between rebels and the military junta led by General Omar Hassan Ahmed el Bashir, who seized power in a coup d'état on June 30.

In the past few weeks, several meetings between the two sides have fallen through. The talks come in the wake of a scathing speech made last week by Mr John Garang, the SPLA leader, which highlighted the growing gulf between the two sides.

SHIPPING REPORT

Higher rates expected

By Kevin Brown, Transport Correspondent

RATES for very large and ultra-large crude carriers hardly moved in the Middle East loading area last week, but brokers said some improvement was likely soon.

Owners were fixing ships in the 250,000-260,000 deadweight tons class at about New Worldscale 42.5 for both eastern and western destinations for early September lifting.

ULCCs were being fixed at about NWS 37.5 for similar voyages, with smaller ships in the 80,000-90,000 dwt class at around NWS 80 to the East.

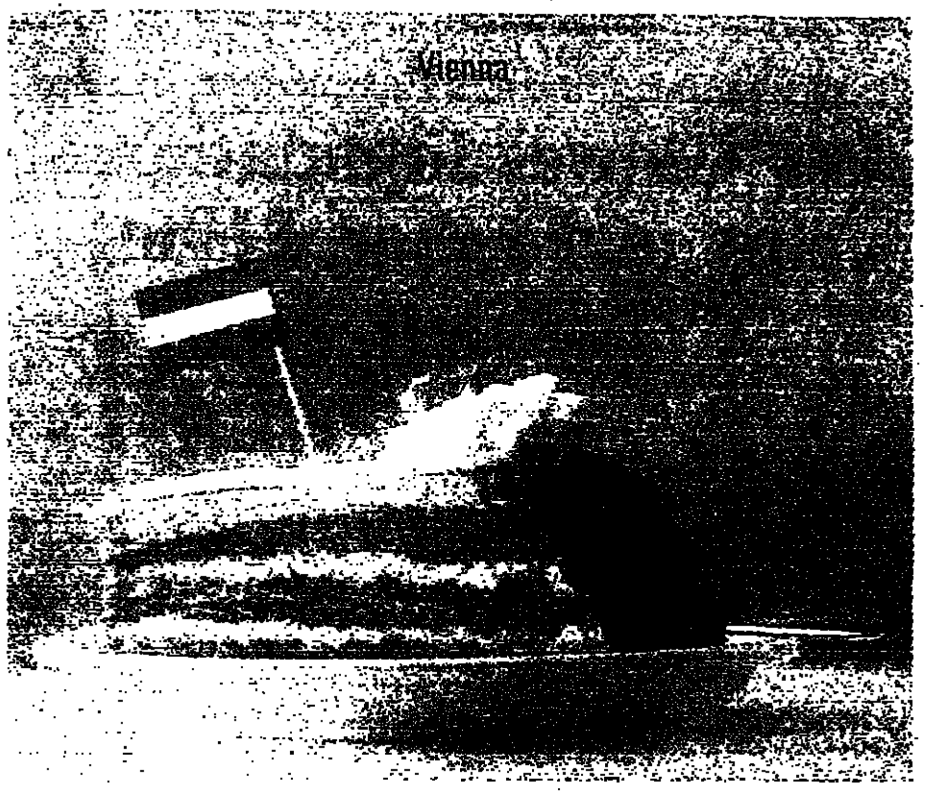
Large clean vessels were attracting few inquiries. A ship of 60,000 dwt was fixed at NWS 155 to the Far East, early September.

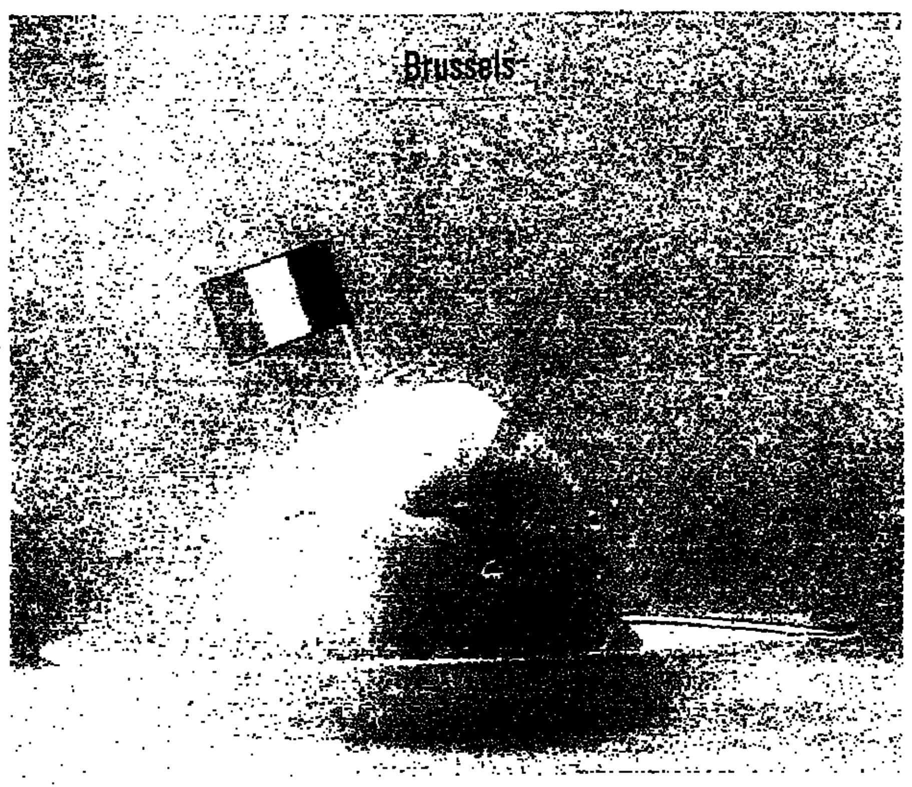
WORLD ECONOMIC INDICATORS

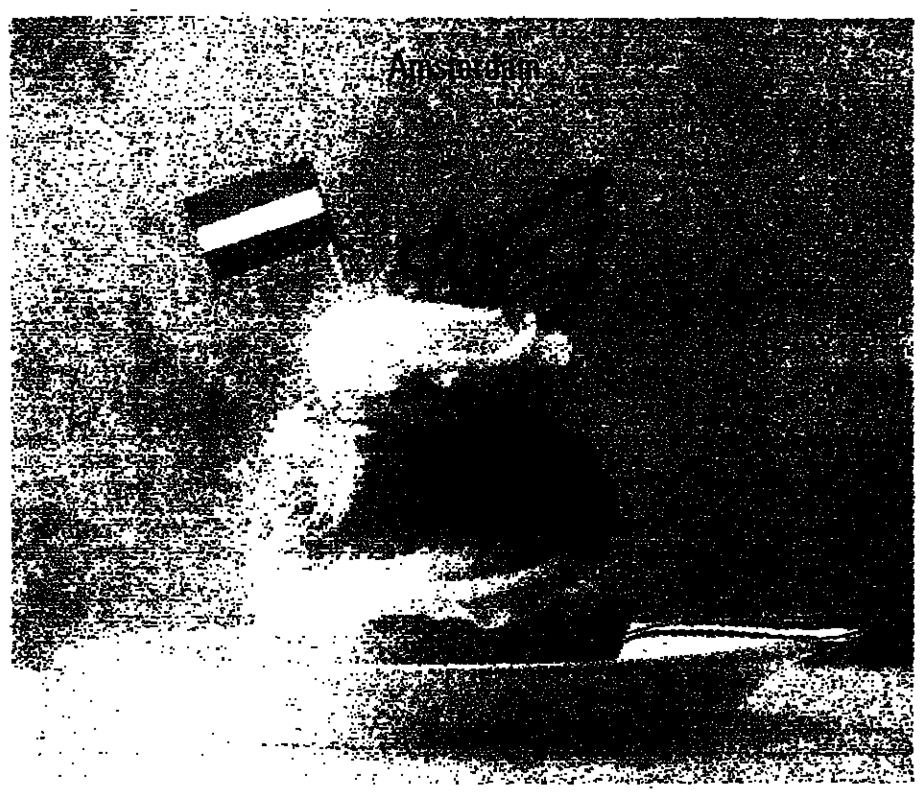
FOREIGN EXCHANGE RESERVES (US$m)

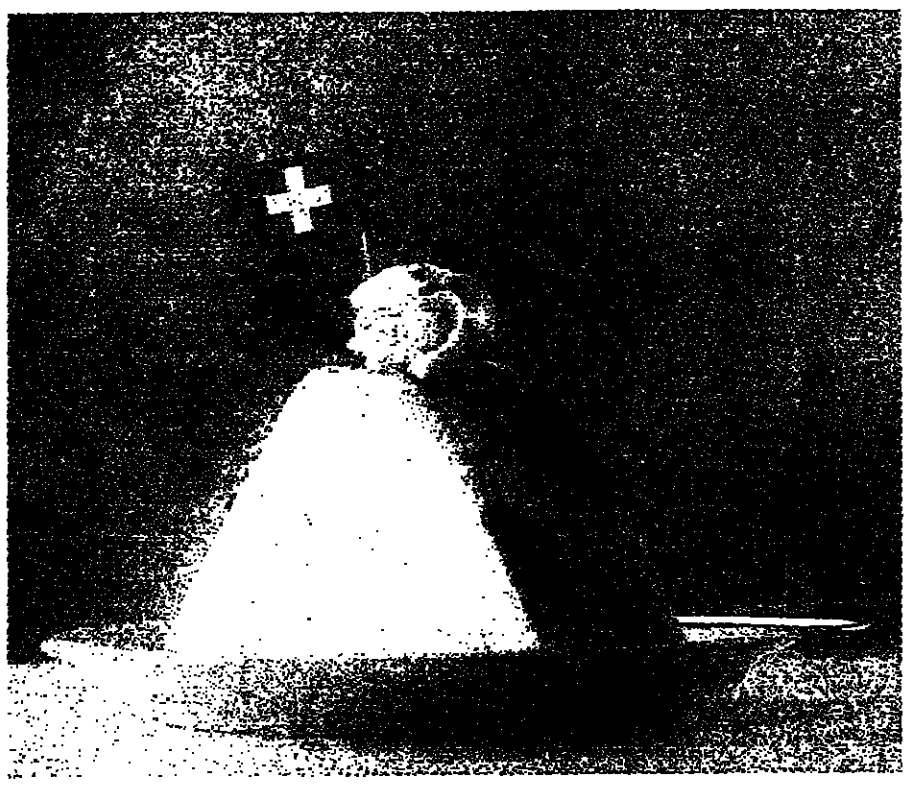
	June '89	May '89	Apr.'89	June '88
US	31,517	26,234	20,731	10,793
UK	34,494	36,968	39,097	37,274
W Germany	61,106	50,682	51,384	59,439
Japan	82,855	89,262	93,471	81,304
Belgium	8,618	8,558	9,154	7,455
Netherlands	14,256	13,992	13,155	12,980
Italy	37,346	37,270	37,233	24,838
	May '89	Apr.'89	Mar.'89	May '88
France	23,797	23,054	22,572	28,286

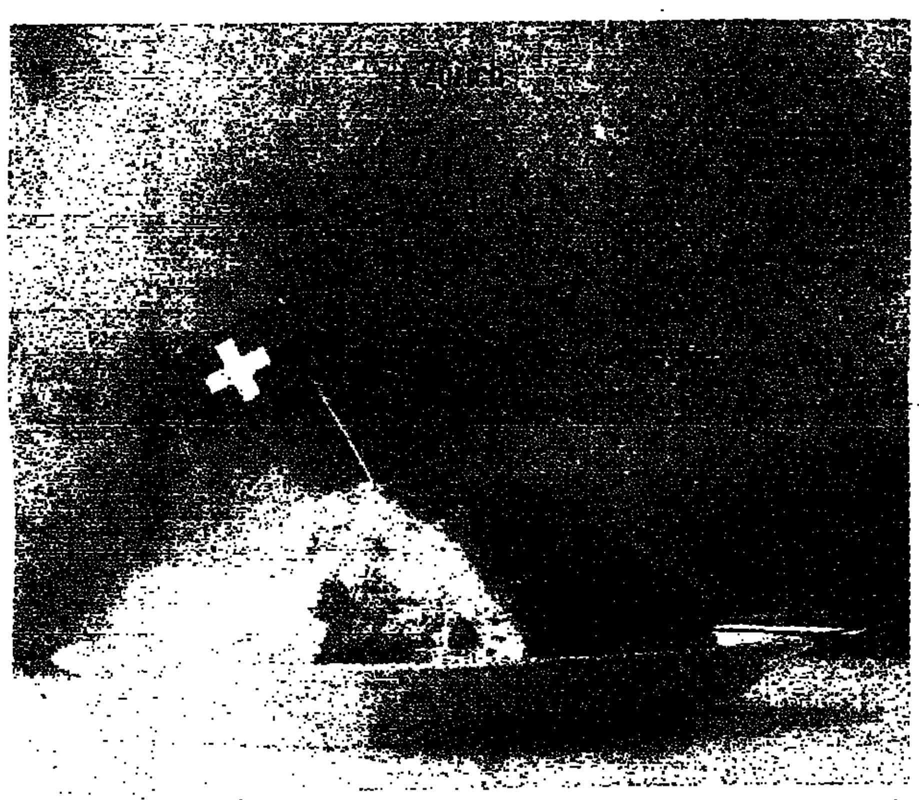
Source: IMF

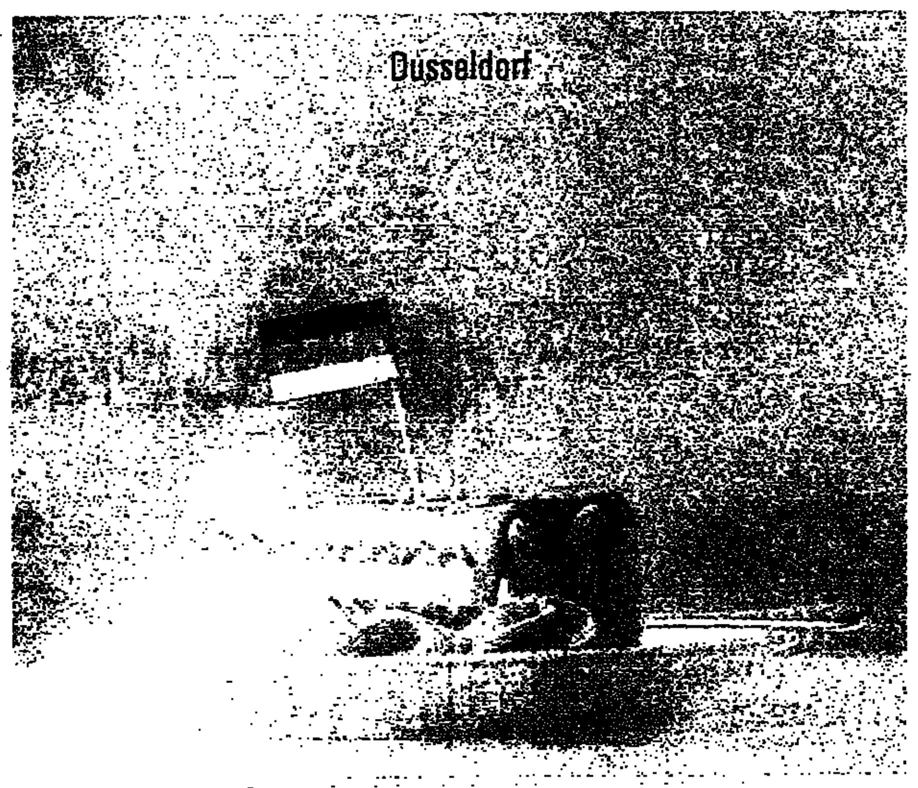












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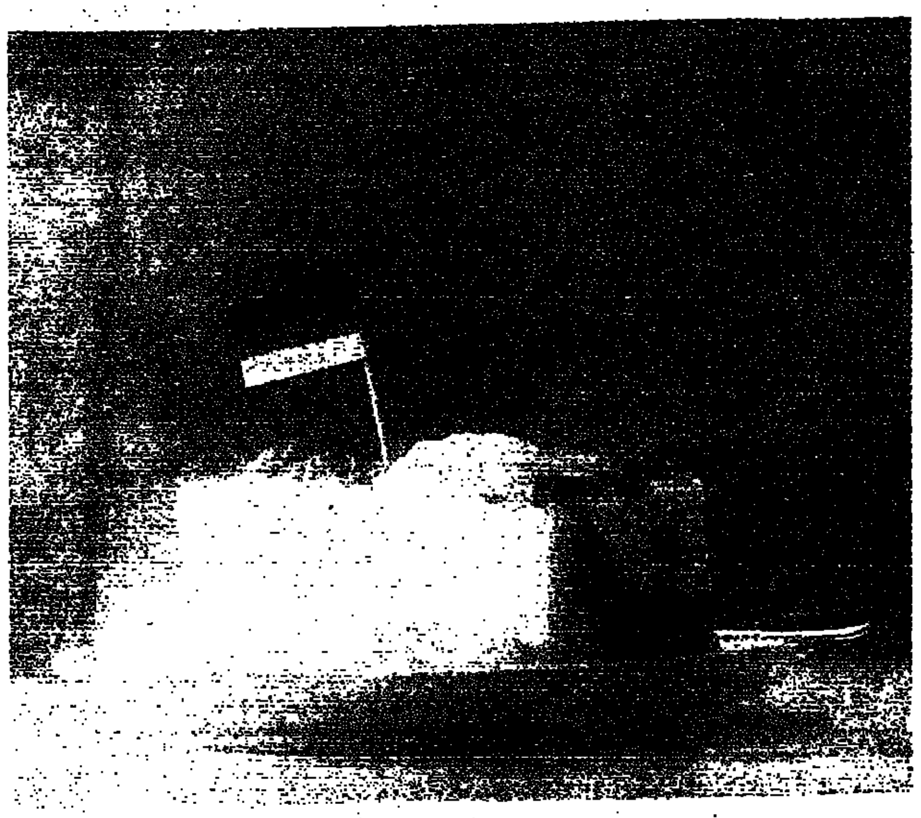

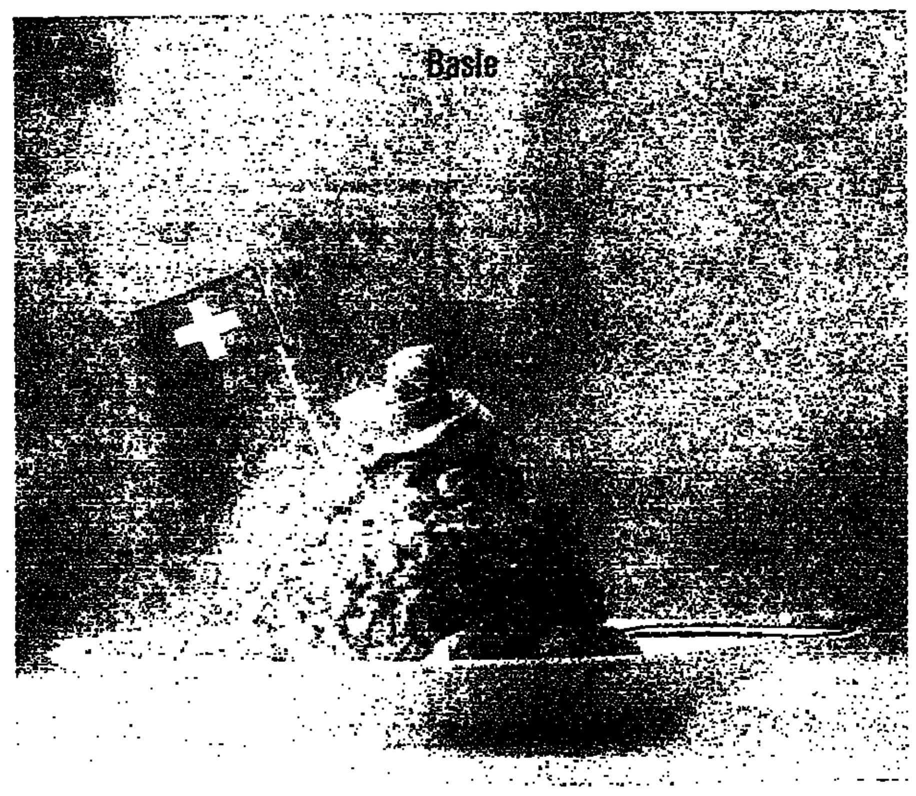

Figures which will make it clear that investors in KNP will have every reason to be slightly happier, not just now but also in the future.

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UK NEWS

Water groups in £8bn funding plan with banks

By Stephen Fidler, Euromarkets Correspondent

THE 10 UK water authorities have advanced plans to raise a total of £8bn of working capital from international banks, in the next stage towards their privatisation, which is planned for November.

The fund-raising exercise, which so far has been carried out quietly, is one of the largest conducted in sterling and is sensitive because of its potential to damage a smooth privatisation.

The funds are expected to be at the companies' disposal by the end of next month. British and foreign banks bidding to arrange the credits were provisionally advised late last week which banks would be favoured to raise the funds.

Each water authority invited five banks to bid to raise a six-year credit, some of which will be used as standby finance and may not be drawn. However, although the mandates have been informally awarded, bankers expect significant competition among them which could change the final decisions.

In the weeks ahead, the authorities will try to iron out potentially embarrassing differences in terms, which could be taken to imply that banks consider some authorities far bigger risks than others.

While some credit differentiation is expected among authorities, large discrepancies in the terms of the loans could, from the Government's point of view, send potentially undesirable messages to potential individual investors. Thames Water, one of the authorities raising the largest individual credits of £1.5bn, is rated by most bankers more highly than many of the others.

Taken together, the financings comprise one of the largest fund raising exercises from banks yet undertaken in sterling. Because of new international banking regulations, banks are also less keen to provide this type of standby financing than they were a couple of years ago.

Nevertheless, most bankers foresee no difficulties in the financing being raised and report aggressive bids from some banks, implying favourable terms for the borrowers.

Some banks, however, have already indicated to the water authorities that they will not join financings which they consider too tightly priced.

Banks justify aggressive bidding by pointing to the terms under which the authorities are set up. While the Government has agreed to cancel the existing debts of the water authorities, it has insisted that they be self-financing after privatisation.

The Government has also guaranteed that the prices the authorities, which have a natural monopoly, charge over the coming decade will exceed the rate of inflation.

On the other hand, the authorities have been starved of capital investment for years. They face huge mandatory capital costs, and some can expect high spending to improve water quality and deteriorating sewerage networks.

Congress change mooted

THE TUC congress, the annual meeting of the union federation which meets in two weeks, is to consider ending the tradition of meeting annually and replacing it with a biennial congress, writes Charles Leadbeater.

The move to reconsider the role of the annual congress, which sets TUC policy for the year ahead, will be made by Cohse, the health service union, according to the final agenda for the congress published today.

Cohse has submitted an amendment which says: "The future role format, frequency and duration of congress should be reviewed."

The amendment says the review should include the feasibility of having more infrequent congresses.

BA braces for more disruption in dispute

By Jimmy Burns, Labour Staff

BRITISH Airways last night appeared to be bracing itself for further disruption today in the cabin staff dispute which has led to cancellations on domestic and European services over the weekend.

The company estimated that by last night about 40 per cent of its 3,000 short-haul cabin staff had refused to give a written assurance that they would work normally, even though the issue which sparked the dispute – the sacking of an air stewardess – has not been resolved.

The main area of disruption today is likely to be Manchester airport, in the north west, where 24 flights to London and several European destinations were cancelled yesterday after 280 cabin staff refused to sign the letter demanded by the company.

Although most services from Heathrow yesterday appeared to be returning to normal, officials of the Transport and General Workers' Union indicated that the dispute could spread following last Friday's 24-hour strike.

The strike was called in support of an air stewardess who was dismissed in January for alleged irregularities in the conduct of an in-flight bar. The TGWU is demanding her reinstatement.

Some BA cabin staff yesterday said that even the more moderate members of the union were now angry with what they regarded as the company's determination to secure an effective no-strike deal.

One BA stewardess said last night: "It is blackmail by the company and this is escalating the dispute as people feel threatened. If it wasn't for the company's action we would all be working normally now."

BA has warned its cabin staff that they will face further disciplinary action if any of them speaks to journalists.

Yesterday the company gave no indication that it was prepared to go back either on its insistence on written assurances of normal working from its employees or its decision to sack one of its employees.

Barlow Clowes liquidation may cost more than £10m

By Richard Waters

THE LIQUIDATION of Barlow Clowes, the former investment empire of Manchester businessman Mr Peter Clowes, looks set to cost more than £10m.

Little over a year after the collapse, the liquidators have earmarked nearly £8m for costs, and further large legal and accountancy fees are inevitable in the months ahead.

Winding up the group's offshore arm, Barlow Clowes International, has cost nearly £5m so far, according to papers lodged with the High Court in Gibraltar.

The liquidation cost of the UK arm of Barlow Clowes, meanwhile, could eventually reach £3m. The High Court in London permitted the liquidators to hold this amount back from a payment to investors earlier this month, although some of the money may be returned if it is not needed to pay for legal action in the future.

The final costs of the liquidation of the offshore fund will be considerably more than £5m.

Besides the work to be done in unravelling the affairs of BCI, which is still some way from completion, legal action is being taken or considered on a number of fronts.

Action is being taken against Mr Clowes and his wife, Pamela, as well as a number of Mr Clowes' former business associates. The liquidators are also expected to decide within the next two months whether or not to sue Barlow Clowes' advisers and bankers, which would also add to the bill.

Mr Nigel Hamilton of Ernst & Whinney, one of two joint liquidators, refused to discuss the figures. "We report to the court. It's not something we think ought to be bandied about at the present time."

However, he added that whatever costs had been incurred so far would be due to a number of firms of lawyers and accountants, which had committed substantial resources to the liquidation. At one time, Ernst & Whinney had 50 people involved on Barlow Clowes, he said.

"There has never been any denial of the number of people needed on the case," he said.

The accountants and solicitors involved are paid by the hour. For those with experience, this is likely to top £100 an hour each, while partners in the large accountancy and law firms cost considerably more than this. In addition, there are items such as travel and accommodation as well as fees to the barristers, advocacy lawyers, who have given legal advice or taken part in the civil hearings to date.

The near-£5m costs so far of the BCI liquidation accounts for between 8 and 9 per cent of the money expected to be recovered from the off-shore fund. The liquidators' latest estimate is that they will collect £55m-£60m of the money originally invested.

The £3m held back from the UK fund is equivalent to 8 per cent of the money actually recovered by the liquidiators.

They have paid out the other £34.6m to the fund's investors.

Financial services perks attract staff

By Christopher Parkes, Consumer Industries Editor

FINANCIAL services companies are attracting marketing staff from their traditional jobs market among consumer goods makers by offering higher pay and perks such as subsidised mortgages, according to Hay Management Consultants.

Brand managers with at least five years' experience appear to be the most susceptible to temptation, the London-based consultancy says in a report just published.

Median base pay at this level is around £17,700 a year in consumer goods and more than £20,000 in the financial services sector.

Market researchers are also in demand, the report adds.

In the year to the end of May, the salaries of those working in financial markets increased by 10.5 per cent, while those elsewhere earned some 8 per cent more.

More than half the financial services organisations paid marketing staff fixed bonuses, compared with just 20 per cent in consumer industries.

However, consumer companies provided better cars and most paid for private petrol consumption.

Although base salaries were consistently higher in financial services – about £40,000 for a marketing manager with 10 years' experience compared with £35,000 – the difference was reduced when total packages were compared in cash terms.

Both sectors were concerned about career progression and development as well as the issue of age, the report notes.

● *Marketing Professionals' Remuneration, £595. Hay Management Consultants, 52 Grosvenor Gardens, London SW1W 0AU.*

Profit-pay scheme 'limited'

THE extent of the Government's profit-related pay scheme remains limited despite efforts at making it more flexible, writes Jimmy Burns.

This is suggested by Incomes Data Services, the pay research group, which has examined the latest Inland Revenue information on the PRP scheme, enacted in July 1987 under the second Finance Act 1987.

IDS indicates that the rate of registration of new companies under PRP has slowed since companies adopting the scheme began to register with the Inland Revenue in September 1987.

Inland Revenue figures show that 784 company schemes were registered between September 1987 and September last year. By June this year this year, the number of company schemes registered had risen to only 902, covering 129,000 employees.

UK NEWS

Bulk of Mercury income earned by calls abroad

By Hugo Dixon

MERCURY Communications, British Telecom's fledgling rival, earns more than twice as much of its revenue from international phone calls as from inland traffic. The company also depends for 20 per cent of its sales on leasing private telecommunications lines.

A breakdown of Mercury's business, which the company has refused to divulge in the past, is revealed for the first time in a prospectus that its parent, Cable & Wireless, has published in connection with the issue of £130m worth of new shares in the US.

It shows clearly that, although Mercury has been competing successfully with BT for international traffic and private line business, it has made almost no impact in the ordinary domestic phone market.

According to the prospectus, Mercury earned £66.8m from international phone calls in the year to the end of March 1989, but only £32.6m from inland phone calls. This compares with £26.9m and £7.8m earned respectively in the previous financial year.

Mercury earned a further £77m from other services, about half of which was from leasing private lines.

BT, by contrast, earned £4.4bn in revenue from inland phone calls in 1988/89 – 150 times the Mercury figure. Only on international calls, where BT earned £1.5bn, and private lines, where it is thought to have earned about £500m, is Mercury's performance making any impact.

At the end of June, Mercury had 47,840 business customers connected directly to its network, against 19,694 a year earlier. It had a further 81,573 indirectly connected up from 25,112. These numbers, however, are still tiny by comparison with BT's 23m customers.

Mercury has four other important services: telex, where the company believes it is responsible for carrying 30 per cent of international telexes from the UK; paging, where it had 5,500 customers using 28,000 pagers at the end of June; electronic messaging, where it had 4,000 customers at the end of June; and data network services.

The prospectus also reveals that Cable & Wireless plans to invest £910m over the three years to March 1992 in developing Mercury's network on top of the £825m it has already spent. The group also expects to spend £800m or so on building a personal communications network – a new mass-market mobile communications system for which it has recently been promised a licence by the Government.

Oil pipeline leak hits Mersey beaches

By Ian Hamilton Fazey, Northern Correspondent

ABOUT 150 tonnes of thick Venezuelan crude oil leaked from a broken Shell pipeline into the River Mersey on Saturday and polluted the beaches of Crosby as it was driven ashore by strong winds on yesterday afternoon's high tide.

The area provides important breeding and wintering grounds for many species of wildlife, including oystercatchers, dunlin and cormorants – the liver birds after which Liverpool is named.

Sefton Borough Council's environmental health officers, assisted by police, closed foreshore car parks to keep people off three miles of beaches, although it was too late to stop a sea-angling contest which had begun early in the morning.

Competitors continued with thick globules of oil lapping their waders as Mr Bob Reid, chairman of Shell, and Sir Peter Holmes, chairman of Shell Transport and Trading, flew over the scene in a company helicopter.

Mr Reid said afterwards: "About 1,000 barrels leaked. This compares with 240,000 barrels in the recent Alaskan incident. The priority now is to clean up thoroughly. We have two tugs spraying the oil and will be going up to four."

The clean-up is being led by Merseyside Fire Brigade and Civil Defence. Liverpool, Wirral and Sefton local authorities are involved, together with the Royal Society for the Protection of Birds and the Nature Conservancy.

The Coastguard Marine Pollution Control in London sent aircraft to monitor the slick's progress. Mr Reid said he was unable to estimate the costs of cleaning up. Shell is expected to pay.

The pipeline which failed runs from Shell's complex of oil jetties at Tranmere, Birkenhead, to the company's refinery at Stanlow, Ellesmere Port, about 12 miles away. It is buried under the foreshore between high and low-water marks and encased in concrete.

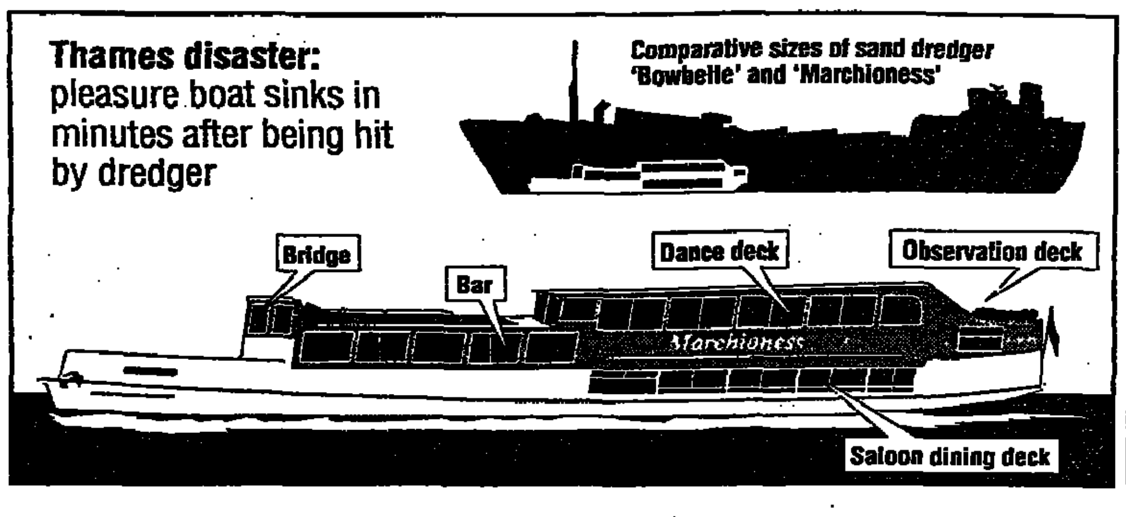
The burst occurred about five miles upstream at Bromborough. Stanlow staff realised something was wrong when the flow of oil suddenly dropped. Pumping was stopped, and the pipeline was plugged, but enough oil escaped to cause a slick several miles long, some of which carried into Liverpool Bay on the ebbing tide.

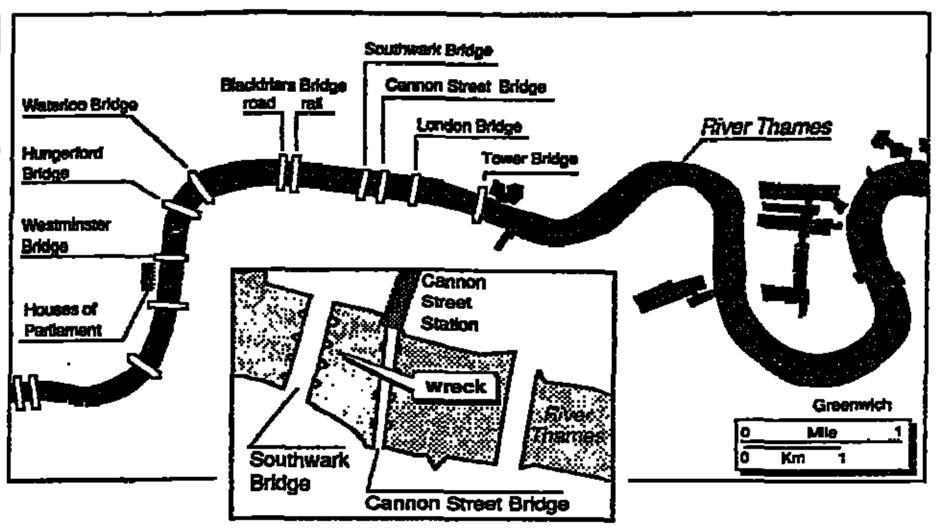
The pipeline will be excavated during low tides to find out why it failed. Mr Reid said that it was tested only 16 months ago. No failure in procedure had occurred during its use.

The oil involved is a particularly viscous sort used to make bitumen. One virtue is that it breaks up relatively easily into globules, rather than sticking together and leaving a clinging film over everything it touches. An ecological disaster is therefore thought unlikely.

Break-up of the main slick was helped yesterday by choppy conditions in the Mersey.

Large patches and strips of oil were broken up in the surf, causing widespread damage to beaches which were speckled with sticky globules and puddles.





Rescuers faced grim struggle under bright sunshine

Kevin Brown watched the struggle to raise the wrecked pleasure boat Marchioness from the Thames

THE RIVER Thames was a place of striking contrasts yesterday, as the emergency services struggled to raise the wreck of the pleasure boat, Marchioness.

On the surface, the scene was one of activity as the shirtless crews of floating cranes laboured in bright sunshine to locate the wreck.

Around them, river police and fire brigade launches scurried back and forth, sometimes carrying VIPs such as the Prime Minister, who had flown back from holiday in Austria for an on-the-scene briefing.

Overhead, bright yellow Royal Air Force Sea King helicopters buzzed up and down the river, only a few hundred feet above the cranes, searching for bodies.

Under the water, however, divers moved gingerly around the stricken boat, establishing that the hull was still in one piece and attaching lifting gear for the recovery operation.

Downriver, at Bow Creek, the sand dredger, Bowbelle, was moored where she was taken by her crew after apparently colliding twice with the Marchioness between Southwark Bridge and Cannon Street railway bridge at about 2am.

The accident will be the first big test for the Department of Transport's Marine Accidents Investigation Branch, established earlier this year as part of the changes, which followed the Zeebrugge disaster in March 1987.

The sinking of the Marchioness appeared at first sight to have little in common with the Zeebrugge accident, in which 193 people died when the P&O ferry, Herald of Free Enterprise, capsized after sailing with her bow doors open.

However, the arrest of two members of the Bowbelle's crew, and confirmation that alcohol tests had been carried out, indicated that human error cannot be ruled out.

The first task for the inquiry will be to establish exactly how the two vessels came to collide in bright moonlight on a clear night, especially as the Marchioness was brightly lit by a party in full swing.

Beyond that, the accident raises a number of issues which the inquiry will be expected to answer, if it is to establish its independence from the Department of Transport.

Most importantly, the inquiry will have to establish why the Marchioness appears to have sunk only two or three minutes after the collision, giving people no time to escape.

The regulations governing passenger pleasure boats were tightened in the late 1960s, following a series of accidents, but still appear to be less stringent than those governing ocean-going ferries.

Ships capable of operating in coastal waters are required to be able to stay afloat for 30 minutes following a serious collision, and to have bulkheads below the water line to limit flooding.

Pleasure boats such as the Marchioness are not subject to these regulations, and the Marchioness was not thought to have been subdivided below the water line.

Both boats involved in the collision are subject to the 1984 Merchant Shipping Construction and Survey Regulations, which require an annual survey to be carried out by Department of Transport officials.

The regulations require the boats to be seaworthy, to have fire and safety equipment in good condition, and to be manned by competent crews.

A rescuer holds a life ring pulled from the Thames after the disco boat was hit by a dredger and sank

The master of the Marchioness would had to have had a Boatman's Licence, for example.

Both boats had passed their most recent inspections and were properly licensed by the Port of London Authority, the responsible authority for Thames navigation.

However, the inquiry will have to consider whether the requirement that the Marchioness should carry a crew of just two for a licensed complement of 149 passengers was sufficient.

The circumstances of yesterday's accident seemed to indicate that even if the Marchioness had stayed afloat for longer than she did, the small crew might have had difficulty in evacuating dozens of passengers from a 2am party.

Mr Simon Hughes, the Democrat MP for Southwark and Bermondsey, which adjoins the accident site, was also among those pointing out yesterday that pleasure boat operators rarely take an accurate head count of passengers or issue safety instructions at the start of a voyage.

Late-night river-borne parties have become a common sight on the Thames in recent years as part of a boom in leisure and commuter traffic on the river following the transfer of the London docks to downriver sites away from the city centre.

The Port of London Authority said the number of pleasure craft had doubled since 1984, partly because of promotion by the authority, which is keen to see increased use of the river for both freight and passengers.

The pleasure boats are supplemented during the day by fast catamarans, used by the Thames Line river bus company for commuter services, and by barges, which last year moved 7m tonnes of freight.

The inquiry will want to establish whether the river is simply becoming too congested, although this view will be opposed by those who remember the busy commercial traffic on the river in the 1950s.

Some London MPs were suggesting yesterday that the volume of traffic on the river is now too great for safety, but the PLA said London remained "one of the safest ports in the world."

There was no immediate pressure for a full-scale public inquiry of the kind that followed the Zeebrugge accident, although one could be appointed quickly under the Merchant Shipping Acts.

Such an inquiry would have a wider scope than the Transport Department investigation, and could consider wider issues, such as the advisability of allowing alcohol to be consumed at late-night parties on the river.

It could also consider whether Thames pleasure boats should be brought under the jurisdiction of the Health and Safety Executive, the independent Government agency which oversees safety in offices and factories.

Baker unhappy at Tory reaction to Labour policy

By Tom Lynch

MR KENNETH BAKER, the Conservative Party chairman, yesterday expressed disappointment over his party's reaction to the Labour Party's policy review.

He indicated in a Sunday Times interview that senior colleagues had been too slow in seizing the "marvellous opportunities" for attacking the Opposition's proposals.

The policy review was published in May but Mr Baker said: "I don't think we have taken it apart in the way that it can be taken apart. As ministers, we were far too inward-looking at Westminster. The time has come now to take the argument out into the country."

Mr Baker's remarks are further confirmation that the Conservative Party accepts that British politics is now a two-horse race again between the Tories and Labour. Labour is about 10 percentage points ahead in the opinion polls, while the centre parties have dwindled to single figures.

The parliamentary recess began with a series of ministerial speeches as Sir Geoffrey Howe, the deputy Prime Minister, and other senior ministers launched a summer assault on Labour's new policies.

However, this attack appeared to have run out of steam by the middle of last week and Labour seized the initiative on Wednesday when Mr Robin Cook, shadow Social Services Secretary, launched a protest campaign against the National Health Service reforms.

The Conservatives are doing detailed work to cost Labour's proposals – the Government had some success during the last general election campaign in presenting Labour's plans in terms of a steep rise in taxes.

GKN goes fishing for inventors

John Griffiths on the automotive group's search for unsung talent

GKN, the UK automotive and engineering group with a £2.5bn-a-year turnover, is about to embark on a permanent fishing trip. Its quarry: hard-up, frustrated and otherwise handicapped inventors across the US.

The group, which already makes around 20 per cent of its annual sales in North America, is launching Project Extra, as a novel way of finding new engineering ideas to bring to market.

It is to trawl US inventors' societies, engineering fairs, exhibitions and any other potentially fertile fishing grounds, offering partnerships to develop worthwhile inventions, and will give what Dr Peter Watson, GKN Automotive's director of product and business development, insisted would be cast-iron guarantees that GKN would not simply take the ideas and run.

If all goes as planned – the results of an initial run of Project Extra inside the UK are said to have been encouraging – the project will expand in pursuit of any similarly frustrated inventors inside Japan, starting in 1991, and develop further in Europe.

Dr Watson, who is also chairman of GKN Technology, the research and development arm of GKN Automotive which is running Project Extra, said the aim of the venture was to examine and evaluate ideas and processes dreamed up by inventors lacking the resources or expertise to develop their concepts into marketable commodities.

GKN Technology will provide the finance, research and development facilities and other resources needed to bring worthwhile ideas to market, under a mutually beneficial partnership agreement with the inventor.

Dr Watson said: "You meet a lot of people with ideas that never get anywhere simply because they don't think hard enough about the practicalities of putting them into production. They just know it's going to make millions – but never think through what to do next."

He pointed out that one of the main mistakes most automotive inventors made was in going to vehicle manufacturers themselves. "But they are assemblers – they don't really want to make components. In reality we, the component makers, are the logical route."

Dr Watson hopes that as much as 50 per cent of GKN Automotive's future products could emerge from Project Extra with perhaps one to equal the constant velocity joint, the driveline component without which no front-wheel-drive car can function and which is still the mainstay of GKN's automotive business.

Even Dr Watson acknowledges, however, that "there is an obvious problem of distrust."

He said: "No inventor wants to run the slightest risk of seeing the commercial rewards of his prized creation being filched from under his nose – and we all know there have been lots of little guys ripped off by big companies taking their ideas and saying, 'thanks and goodbye'."

Under Project Extra, GKN is advising inventors on the need for patent protection from the outset and on how to secure it, even before it sees the idea. Dr Watson said: "We only want ideas where the inventor has all the protection which is legally available."

Ideas from US inventors will be analysed mainly by a project team at GKN Technology Inc's Auburn Hills research centre, in Michigan, about 26 miles north of Detroit. Some evaluation will also be done at GKN Technology in the UK, where its Wolverhampton facility has already processed dozens of UK inventions. Evaluation my also be carried out at a GKN Technology centre near Cologne, West Germany, and a fourth GKN Technology centre is being established in Japan.

Dr Watson believes that experience with the project so far in the UK is likely to provide reassurance to wary American inventors.

Five projects have reached the stage where GKN is spending more than £100,000 a year on each. One of these, a sophisticated form of vehicle suspension, is now the subject of advanced negotiations with several vehicle manufacturers.

In return for the manufacturing rights the suspension's inventor has, under a partnership agreement, an up-front fee, a contract as consultant, guaranteed income from the initial engineering operations and will receive royalties on every system produced.

In another case, a rubber suspension system for trucks, GKN has bought the inventing company outright at its request.

Project Extra is clearly targetted. GKN is interested only in mechanically-engineered, hardworking vehicle components – not those for the interior or trim. Its main areas of interest are suspensions and drivelines.

It believes the project is unique, and remains baffled as to why "no-one else is doing it."

If there is a limit to what GKN is prepared to spend on such projects, Dr Watson will not say what it is.

He said: "The spending is actually being driven by the quality and number of ideas. We hope to have more ideas than we can handle financially – and we're certainly not at that stage."

Plan to speed up oversea inquiries into fraud cases

By Richard Donkin

LENGTHY DELAYS in bringing serious fraud cases to trial has strengthened the Government's resolve to introduce legislation that will prevent legal differences between the UK and other countries obstructing police inquiries abroad.

The seven-year investigation into the Alexander Howden affair at Lloyd's of London, which culminated last week in the acquittals at Southwark Crown Court of two of the leading figures in the case, highlighted the difficulties involved in obtaining information from foreign banks.

Mr John Wood, director of the Serious Fraud Office (SFO), said the Howden case demonstrated the way in which an investigation could be brought to a standstill where evidence was required from abroad. Detectives wanting to search bank documents in Switzerland during the investigation were delayed nearly a year by legal red tape.

He said: "This is one of the general difficulties that we have in our investigations. If we cannot get evidence from overseas very readily, the potential defendants are going to channel funds overseas and we will not be able to trace them through."

Legislation is expected in the next parliamentary session to enable the UK to sign the European Convention on Mutual Assistance. The convention allows for member countries to gain access to documentary evidence and for witnesses and experts to give evidence in criminal matters without being impeded by foreign court interference.

The UK steered clear of such arrangements, because of the insistence in British law of oral testimony, until the Police and Criminal Evidence Act of 1984 paved the way for documentary evidence in English criminal proceedings and made it easier to admit evidence taken overseas.

The Government has recognised that its failure to take part in mutual legal assistance has earned the UK a poor reputation for co-operation, which has been reflected in a lack of assistance from other countries in overseas inquiries. The need for a change in attitude was illustrated by the increasing prominence of City scandals in the 1980s, invariably international in their scope.

The SFO, established by the Government last year, has been pressing hard for improved international investigation procedures.

Steady decline in inflation forecast in Barclays study

By Michael Prowse

INFLATION and the trade deficit are set to decline steadily over the next 18 months, says Barclays Bank in an optimistic review of economic trends, out today.

The bank expects retail price inflation to ease below 7 per cent by the end of the year and to reach 5 per cent by the second half of 1990. Wage inflation remains a threat, say Barclays' economists, although higher wages are more likely to lead to lower employment.

The current account deficit is forecast to peak at just over £16bn this year before declining to £12bn next year. This improvement reflects a sharp projected decline in import volume growth – from 6 per cent this year to only 2 per cent in 1990. Export volumes are expected to grow by around 6 per cent this year and next.

Barclays predicts a fairly sharp slowdown in domestic demand growth with consumers' expenditure rising by only 1 per cent next year against 2.7 per cent this year. It expects output to grow at an annual rate of 2 to 2.5 per cent.

Priestley's ugly mills now weave a charismatic spell

Paul Cheeseright reports on how the relics of King Cotton have become part of the heritage industry

CHIMNEYS may have stopped belching and looms may have stopped clattering but the mills are still there. There is a fraction of the number of a century ago but enough to recapture the flavour of an extraordinary mixture of opulence and misery.

These mills are the lingering shadow of Victorian England's capitalist pride and the relic of its human carelessness. They are the remnant of a textiles' industry which bestrode the Pennines.

The industry reached its zenith in the 1860s and by the time J.B. Priestley was travelling round Lancashire in 1933, when he found cotton towns meant not for living in but for working in, it was in terminal decline.

Priestley wrote: "More and more mills were built, and with them rows and rows and rows of little houses, all alike for the weavers. More money, more muck; more muck, more money: the only flaw in the system being that the money tended to go in an opposite direction from that of the muck."

The history of Lancashire and Yorkshire over the last 40 years is the search for recovery, for a new role to replace that huge concentration of industry. Clogs and cobbles are out. "The cloth cap and whippet image is unfair," said David Brown, of Burnley Borough Council's planning and estates department.

That search inevitably led to demolition of the mills. Local authorities took a consistent attitude, said Mr Rod Hackney, former president of the Royal Institute of British Architects, the man who is designing the transformation of Salts Mill

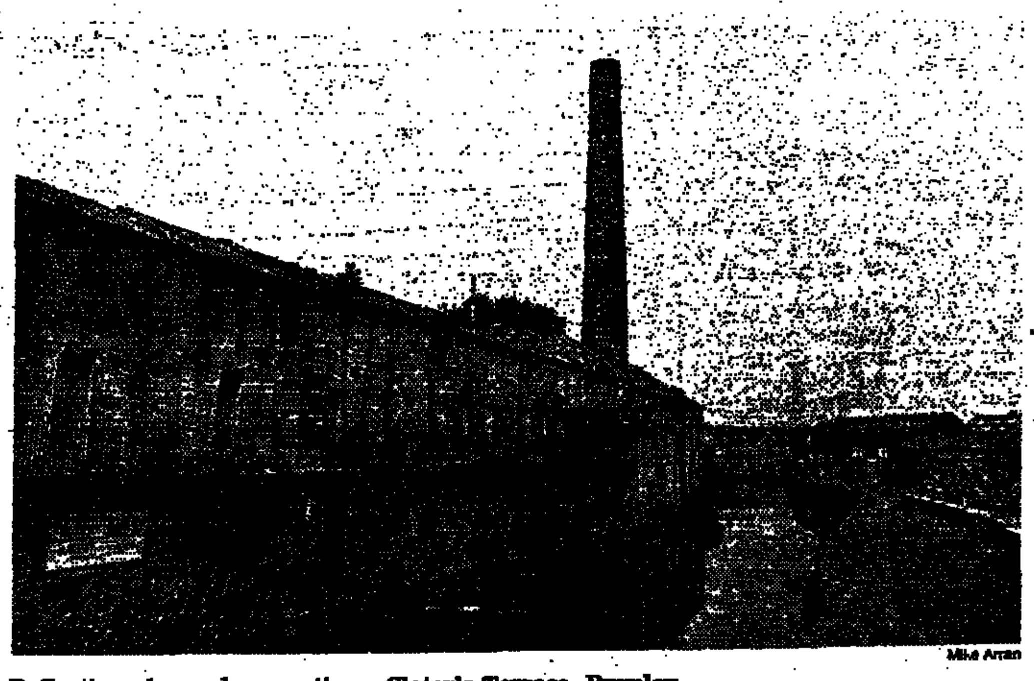
Satanic mills

near Bradford and has plans for the refurbishment of weavers' cottages above a warehouse in Burnley.

He said: "They were glad to be rid of them to the mid-1970s: they represented what was wrong with the towns – the dated, stigmatised image, the industrialised pressure. They did everything to rid themselves of them and that meant some of the greatest mills were lost."

Even by 1984 these skeletons of industry were still a problem. Roger Tym and Partners, the urban and land economists, published a study which calculated that in the Greater Manchester area and in West Yorkshire there were 35m square feet of vacant old industrial buildings. This would be enough space for about 250 Marks & Spencer stores.

The problem was what to do with the buildings. The Roger Tym recommendations were to remove the blight on investment by demolition or to provide a range of incentives to encourage their re-use.


Mike Arran

Reflecting changed perceptions: Slater's Terrace, Burnley

This general approach has in fact been followed, rather to the chagrin of Mr Hackney as far as demolition is concerned. For him the mills are not judged in terms of square footage and industrial space but in terms of buildings with personality.

Yet the personality can be overwhelming, as in Salts Mill with its neo-Italianate facade and floors larger than football pitches, Lister's Manningham Mills brooding over Bradford with a 250 feet tower and the multi-storey mills crowding around Manchester.

Arguably, the bigger the mill the more difficult it is to know what to do with it. The size of the mills reflected what was done in them. Greater Manchester, where Priestley found ugliness "so complete that it is almost exhilarating" was for cotton spinning. Burnley was for cotton weaving and so, Mr Brown said, "there was not much in the way of multi-storey mills; most of them were single storey weaving sheds. They're a lot easier to re-use."

Burnley in its cotton heyday, when the early hours would echo to the rattle of clogs outside a hundred mill gates, was the world's largest cotton weaving town with a population of nearly 100,000 at the turn of the century, half of which was employed in textiles.

Now the population is about 94,000 and declining. The local economy has shed its reliance on textiles, which now employs about 7 per cent of the workforce, not on cotton weaving but on higher added value products like car upholstery. But the legacy of the mills is pervasive: those that remain; some dilapidated, some vacant, but mostly used, jumble around the ungracious 1960s town centre.

The back-to-back houses that the mills spawned have been cleared but what remains are areas of terraced houses, buying price around £11,000, in tight grids of streets. The slum clearance finished about 10 years ago.

In one of these terraced suburbs, in 1986, Mr Paul Dawson, one-time financial controller for a multinational company, now a developer with his own company, Anvic Construction, paid £26,000 and found himself with 50,000 square feet of old mill space. He split it up into small units, a mixture of managed workshops, offices and even a snooker hall.

More recently he paid roughly the same amount for half the amount of space at a town centre mill which is now being converted into offices – it was £1 for every square foot in a structure that had to be almost completely stripped out. In fact, it was a cheap buy but the doubling of price shows how the market has moved.

However, a few years ago they could hardly be given away. Shades of Priestley here. It was the same 50 years before around Manchester. Priestly wrote: "Nobody has any money to buy, rent or run mills any more."

As the economy has revived, mills have become more popular as a source of cheap industrial and warehouse space. Mr Brent Forbes, of H.W. Petty, the Burnley chartered surveyors, said there were none on the market. Two or three years ago the capital value of the mills was about £5 a square foot. Now it is more like £8.

However, the values have changed in more than one way. What one generation has wished to destroy, to exorcise, another wants to preserve, to use. Children in the last century used to work in the mills. Children of the 1980s visit them on cultural visits. Yesterday's misery for some is today's museum. Mills have become part of the heritage industry.

**English Journey by J.B. Priestley, first published by William Heinemann 1934; Penguin Books, 1987, £4.95.*

Retail sales will continue to rise but at a slower rate, say researchers

By Maggie Urry

RETAILERS who have seen the buoyant consumer spending of the 1983-88 period fizzle out in 1989, can take heart from a forecast of the next five years from Verdict Research, a retail research body.

Verdict says that retail sales will continue to rise and forecasts that by 1993 total retail sales in current prices will reach £178.5bn from £114.7bn in 1988, implying a 56 per cent increase over the period. When inflation is excluded, Verdict believes the increase will be 25 per cent.

That is not as fast a rate of volume growth as in the previous five years but is above the annual rate of increase in the early 1980s. The forecasts suggest growth in value over the next five years of between eight and 10 per cent a year, with 1989 and 1990 the slowest periods.

However, Verdict says that the competition to win sales "will get fiercer and profits harder to find." Retailers' costs – such as rents, rates and wages – have risen and retailers have opened new shops at a rate faster than the market could support.

One of the fastest growing areas will be in out-of-town retailing, Verdict says. This took under 5 per cent of retail turnover in 1980 and by 1993 will reach 21 per cent of sales. High street shops are predicted to lose some ground but neighbourhood shops, such as tobacconists and newsagents, will lose even more, Verdict says.

Of the retail sub-sectors, Verdict says, specialist jewellery retailing will be the fastest growing, with sales expected almost to double over the five years. The next fastest expanding sector will be do-it-yourself, with sales rising by two thirds up to 1993.

Retailing 1993, from Verdict Research, 112 High Holborn, London WC1V 6JS. Tel 01-404 5042. £950.

Protests indicate harder attitude to Sizewell C

By David Green

MORE THAN 21,000 people have so far registered opposition to plans for a Sizewell C pressurised water reactor in Suffolk.

This is already equal to the number of objections received to proposals for the Hinkley Point C plant in Somerset, which is the subject of a current public inquiry.

The formal consultation period announced by Suffolk Coastal District Council, the planning authority responsible for the Sizewell C application, ended on Friday with 21,023 objections received.

Several town and parish councils in the Sizewell area have already decided to oppose the C station, some of them voting contrary to their stance on Sizewell B, which has been under construction for more than two years.

This, together with the heavy public response co-ordinated by local anti-nuclear groups, suggests a hardening of attitudes in Suffolk to nuclear power expansion at Sizewell.

Only 4,000 individuals and organisations registered their objection to Sizewell B.

However, the anti-nuclear campaign has been better organised in response to the C station application than it was for the B plant, with Friends of the Earth and local opposition groups printing 150,000 objection cards for completion by members of the public.

The Department of Energy is receiving about 1,000 completed cards each week.

The district and county councils in Suffolk have until the end of November to decide whether or not to oppose the C station. Neither objected in principle to the B plant. Mr John Wakeham, Energy Secretary, has to decide whether to call a public inquiry to examine plans for the C station.

The Central Electricity Generating Board (CEGB) is hoping such a hearing will not be necessary. It points to the thoroughness of the inquiry into Sizewell B, the first PWR, and would prefer to be left to negotiate the conditions of a Sizewell C approval. The CEGB believes four PWRs will be needed by the year 2000. In addition to a Sizewell C and a Hinkley Point C the other is planned for Wylfa, Anglesey.

Standards body focuses on jobs advertisements

By Christopher Parkes, Consumer Industries Editor

THERE HAS been a significant increase in the number of unsubstantiated claims discovered by the Advertising Standards Authority in advertisements for jobs and business opportunities.

Holiday, travel and home improvement companies – formerly among the worst offenders – appear to have mended their ways, according to the latest monthly report by the advertising industry watchdog.

Although there was a significant drop in the overall number of breaches of the authority's code in the 12 months to June, fanciful and extravagant claims were found to be on the increase in the job columns and in publicity for training and business opportunities.

The authority's annual screening of about 250,000 press advertisements turned up 198 questionable cases, compared to nearly 300 last year, and 76 of those were able to substantiate their claims.

The authority said: "All in all, this adds up to a picture of a responsible advertising industry, with the general level of responsibility apparently rising."

MANAGEMENT

Tony Andrews

John Shute with two of his concept vehicles designed for promotional purposes: the Hunter, an off-the-road recreational vehicle (foreground), and the Impact, which IAD thinks could be the shape of cars to come

Driving at the forefront of car development

John Griffiths explains how the UK-based International Automotive Design's strategic alliances are reinforcing its position in the world motor industry

Workers on an industrial estate at Worthing in Sussex may be puzzled by the identity of a group of foreigners regularly seen at one of the 23 buildings on the estate occupied by International Automotive Design.

They are Russians.

The team of engineers is the only visible sign that IAD is now hard at work on what it regards as a major coup – a £34.4m contract to design and develop ready for production the Soviet Union's first modern light commercial vehicle, a 1.5 tonne panel van.

The value to IAD of the contract, awarded at the end of last year, is equivalent to the entire 1988 turnover of the design consultancy which began life as virtually a husband-and-wife operation, with a £140,000 turnover, 13 years ago.

The contract, which runs until the first vehicle comes off the production line in mid-1992 at Bryansk, about 350km from Moscow, is seen by John Shute, IAD's founder, chairman and chief executive, as one of the most significant milestones for a company which now claims to be Europe's largest vehicle design and engineering consultancy.

"We identified three or four years ago that a market was there," says Shute, a heavy-set, fiercely red-bearded figure whose own favourite mode of transport to the office is a rare, 1930s W-Type MG saloon – one of a dozen MGs now in his stable.

"We realised that all their vehicles were out of date, and that they had to modernise their motor industry because, for example, practically all *goods are carried around in open trucks.*"

Having secured business for IAD, Shute insists that there are substantially larger orders for the Soviet project – worth up to £180m – to be won by other companies, if only they are prepared to chase them. "We're trying to encourage other western companies to go in. We want western suppliers to the project, and there are licensing opportunities for them. There's also a lot of equipment to be bought."

There is a particular problem with the UK, he says, in that the decline of its machine tool industry has been such that "you can't buy tools, presses and so on in the UK any more." But other west European countries, particularly Spain, are a competitive source of such equipment, and the effort should be a pan-European one, he stresses. The consequence of not doing so "is that Japan will obviously try and get in – Moscow's now full of Japanese."

While much debate continues elsewhere in the European motor industry about the extent to which Japanese component suppliers will arrive in the wake of Japanese vehicle makers, Shute has no doubts. "They are very anxious to set up supply bases in Europe and they are already in contact with us. Among them, for example, are air-conditioning equipment and instrument panel makers seeking to get more European engineering assistance."

Shute makes clear his belief that the internationalisation of Japan's industry will be initially tough for, but ultimately beneficial to, the competitiveness of European rivals.

He has taken a no-less international approach to the development of IAD itself, including the forging of alliances with other consultancies where he thought it was appropriate. For instance, a few months ago IAD signed a co-operation agreement with the General Motors subsidiary Group Lotus, which has a substantial engineering consultancy arm. It also now has close ties with Ricardo, an engine and diesel consultancy based at nearby Shoreham, and which is developing a 2.5 litre diesel engine destined for use in the new Soviet van.

"We once lost a contract because we couldn't do engine work and didn't want that to happen again," says Shute. "Now I think we could bring a total vehicle to production between us. I don't think anyone else can do it. The Italian design houses might be strong on the design end – but few can do actual engineering."

Shute has sought systematically to extend IAD's presence into the world's vehicle producing regions, and has the strategic goal of generating 90 per cent of its business equally between Europe, North America and Asia, with 10 per cent from elsewhere. Currently Europe and North America each account for 80 per cent.

IAD has had a design studio operating in Frankfurt for several years, and has a strong presence in Paris, the centre of its computer operations, "working with all the major French vehicle producers."

It has had a design studio on the West Coast of the US for the past two years, used mostly by Far Eastern producers seeking to tune in more closely to the nuances of the North American car market – but also by the US industry. It employs 30 and, says Shute, "is capable of building a working concept vehicle."

A much larger – 40,000 sq ft – facility in Detroit employs 70, while several dozen more IAD staff are working in the facilities of the vehicle makers themselves.

Altogether IAD employs 900 people, some 600 of them at headquarters. It has only a small office in Tokyo itself; much of the work for Japanese vehicle makers is undertaken in other centres, says Shute.

Worldwide, IAD is running four computer systems – some linked by satellite – allowing 150 design and engineering terminals to communicate with each other. Each terminal is operated on a double-shift basis.

Shute asserts that it is IAD's depth of expertise which has enabled it to gain a strong foothold in North America. US vehicle makers have tended to be more vertically integrated than European ones, and have relied on outside design companies mainly for drawing purposes. "We are successful there because we can engineer something for them, not just rent-a-pencil it, which is all that a lot of the Detroit 'competition' is capable of. Nowadays, the vehicle makers are looking for more than that. One large organisation I know didn't even have a structural engineer; they are large companies, but not very deep in expertise."

He professes admiration for the way US producers are responding to competition in their own local markets. "They have brought down development times for new vehicles to five years and are trying for three and a *half." The latter is increasingly the* timescale for IAD's contracts.

IAD's development of a highly skilleld workforce has required Shute to give a high priority to recruitment. IAD trains 25 staff a year, taking on 16-year-olds as apprentices and 18-year-olds as trainee draughtsmen, as well as graduates. It has an on-going sponsorship of students both at universities and at the Royal College of Art, which has a world-renowned automobile design school.

Turnover this year is expected to be £50m, with a pre-tax profit of around £3.4m. Earnings are relentlessly ploughed back into the business, as has happened every year since Shute started it. Over £5m is being invested this year, mainly in yet more computer-aided design equipment.

Shute, 49, now cuts a somewhat more relaxed, ready-to-smile figure compared with the grim workaholic seeking to root IAD firmly in the automotive industry in the early and mid-1980s.

That is partly due to a 70-strong management team being in place around the world so "the me-run-over-by-a-bus scenario does not mean that the company can't carry on," observes Shute. For example, IAD recently took on John Singer, formerly with Barclays de Zoete Wedd, Barclays' investment bank subsidiary, as business development director charged with planning IAD's future five years down the road.

Yet ultimate ownership and control of IAD rests very much with Shute and his wife, although for how much longer is an open question. Shute admits that "it's a big organisation now, and it's as much as I can do to fund it. Maybe we will take it public eventually. We've had a lot of people wanting to buy in, but we've not been looking for that sort of involvement."

IAD has already played a key design and development role in dozens of new vehicles – for example, the new Volvo 440. Most work, though, remains unreported because of confidentiality agreements.

The company has also designed and developed vehicles – such as the four-wheel-drive off-road "Hunter" of radical appearance – in its own right, as promotional or concept vehicles.

Negotiations are even going on for two of IAD's vehicles to be produced under licence by another manufacturer.

Is a logical conclusion that IAD will one day launch into commercial manufacture in its own right?

"Maybe one day," says Shute. "But really we want to remain a design and development company.

"We don't want to compete with our customers."

The long hard slog to achieving quality

Michael Skapinker *reviews a book that dispels a few myths*

Ron Collard once visited a seafood company that had two production lines. One line produced fish for Marks and Spencer and adhered to that company's demanding requirements. The other line, serving different customers, had lower standards. The Marks and Spencer production line was cheaper to run.

Collard, formerly of British Steel and now personnel director of Coopers and Lybrand, the accountants and management consultants in London, says that several myths still surround the quality issue. One is that high quality costs *too much to achieve. In fact, it* is poor quality which costs money, with high reject rates *and lost customers.*

The second myth is that employees in western, and particularly British, companies are unable or unwilling to match the levels of quality achieved by Japanese companies. Yet the Japanese learned about quality from western experts like W. Edwards Deming and J.M. Juran. Japanese companies which set up factories in western countries manage to match the quality standards they achieve at home.

Managers who are not taken in by the first two myths often, however, fall for a third: that high quality standards can be achieved by the end of this year or perhaps by the middle of next year.

Collard has written a book* to correct this misapprehension. Quality is a long, hard slog, he says. The struggle to achieve it is never-ending.

When Japanese companies were asked why they were prepared to open their factories to interested western managers they said: "Because it would take you 10 years to get to where we are now – and by that time we shall be further ahead."

Collard argues that there is no easy way to catch up. There *are, he says, three steps to ach*ieving zero defects in products and services – the only level which companies should be prepared to accept.

The first step is to investigate the company's quality needs. The second is to plan its quality campaign. The third is to implement its quality programme. Too many companies go straight to the third stage, with the result that their quality programmes collapse in an atmosphere of cynicism and recrimination.

At the investigation stage the company should look at what it is that their customers really want. "When was the *last* time that a market survey was carried out on customer requirements?" Collard asks.

Companies also need to examine their organisational culture. How will middle managers react to a quality improvement campaign? Will they say, defensively, that they already maintain the highest standards?

Managers should also look at the causes of quality problems. *These are not always obvious.* The seafood company mentioned at the start of this article was having problems with its suppliers. They were postponing deliveries because they hadn't been paid for previous consignments. The problem appeared to lie with the accounts department which couldn't get the cheques out on time.

The company considered increasing the number of staff in the department. On further investigation, however, they discovered that the real difficulty was that the company's branch managers were holding on to suppliers' invoices rather than sending them directly to the accounts department. They thought they were doing the company a favour by delaying payment. In fact, they were causing production hold-ups.

Companies should then plan their quality programme in detail. A member of the board should take responsibility for quality, assisted by a senior manager who should be freed from all other duties. A steering committee should be set up to plan the launch of the programme and the training of staff and to set the dates for reviewing progress.

Only when these two steps have been completed – a process which could take several years – should the company launch its quality programme, Collard says.

**Total Quality: Success through People. Institute of Personnel Management. £13.09 members. £16.08 non-members.*

LEGAL COLUMN

Irish graduates claim they face unofficial quota

By Robert Rice, Legal Correspondent

A ROW is brewing in the Republic of Ireland between law graduates and the Incorporated Law Society of Ireland. The society stands accused of operating an unofficial quota system through its professional examinations in order to restrict the number of entrants into the profession.

Four cases have been brought against the society by students. One is on appeal to the Supreme Court. Questions have been asked in the Dail. Members are now calling for administration of the final examination system to be taken away from the society and placed on an independent statutory footing.

As Mr Bernard Allen, a member of the Dail, said: "The Law Society must be told that it is not a yacht club that can control the size of its membership."

The row concerns the Final Examination-First Part (FE-FP), which is the equivalent of, and modelled on, the English Common Professional Examination which has to be taken by non-law graduates before they can do their Law Society finals and qualify as solicitors.

It is designed to test them on the six "core" subjects. English and Welsh law graduates are exempt from the CPE because the core subjects form a major part of their law degree. So too were Irish law graduates until 1981, when, for no apparent reason, the society decided that they would no longer be exempted from the FE-FP, except the criminal law paper.

It was as if the society was saying that during three years of study for their degrees, Irish law students had learnt nothing in any area other than crime. Their degrees were, in other words, not worth the paper they were written on.

The issue came to a head last autumn when a law student, Mr Frank MacGabhann, 39, challenged a law society decision refusing to admit him to its law school in the High Court in Dublin.

Mr MacGabhann's case was, broadly, that he had failed the FE-FP two years in succession not because he was not up to the required standard but because he had fallen foul of the society's quota system operated to limit the number of entrants to its law school each year to about 150.

In February this year he lost his case, Mr Justice Blayney ruling that the society did not "impose" a quota in the 1986 examination, the year about which he was complaining. The case is now on appeal to the Irish Supreme Court.

During the course of his judgment, however, the judge noted the numbers sitting and passing the FE-FP in the years from 1981 to 1986. In 1981, 172 sat the examination, 134 passed, a pass rate of 78 per cent. In 1982 the figures were, respectively, 226, 146 and 65 per cent. In 1983, 312, 159, 51 per cent. In 1984, 391, 155, 40 per cent. In 1985, 371, 159, 43 per cent. And in 1986, 325, 147, 45 per cent.

How was is it possible, Mr Mick Murphy, of the Union of Irish Students, inquired in a letter to the Irish Times on March 1, "for any judge to conclude that a quota has not been in operation since 1981 or that a quota was not imposed in 1986?"

Especially , he said, at a time when the entrance qualifications to read law had never been tougher and the universities said the standard of law graduates had never been higher.

Mr MacGabhann did not go to law empty-handed. He went armed with some damning evidence compiled by Dr Antony Unwin, a senior lecturer in statistics at Trinity College, Dublin, and the support of senior academics, among them Dr Seamus O'Buachalla, senior lecturer in education at Trinity. Disquiet within the law faculty at Trinity about the number of their best law graduates who seemed to be failing in subjects they had already passed during their degree, had led Dr Unwin to carry out a statistical analysis of the FE-FP.

What he found, and what he told the court, was that after running computer tests on the society's figures he had come to the conclusion that the decline in pass rates from 1981 to 82, from 1982 to 83 and from 1983 to 84 (13 per cent, 14 per cent and 11 per cent) were so great that they could not have happened by chance. The probability of such a fall from one year to the next is less than one in a hundred. The probability of such falls occurring three years in succession is less than one in a million. Even among law graduates, the pass rate declined steadily from 83 per cent in 1981 to 50 per cent in 1984, 1985 and 1986.

Both Dr Unwin and Dr O'Buachalla said the contract paper was the "control mechanism." If students fail any one of the individual papers they must resit the whole examination.

In 1982 the pass rate on the contract paper was 89 per cent. In 1986, it emerged that each of the society's five internal examiners for the contract paper marked 64 scripts. Each examiner passed, respectively, six, seven, eight, 15 and 34 scripts, which translate into individual pass rates of 9 per cent, 10 per cent, 12 per cent, 23 per cent and 53 per cent. It also emerged during the hearing that Mr MacGabhann's contract paper was marked by an examiner who did not have a law degree.

How was this possible? Mr Mark Little, president of the Trinity College Students Union, wrote to the Irish Times on March 16, "Exactly who were the candidates who were fortunate enough to be marked by the fifth examiner? Who decided which examiner marked which scripts?" he asked

The row has moved on a little since March, with the revelation, two weeks ago, that the society's governing council in 1978 had considered reserving a number of places at its law school for the sons and daughters of solicitors.

The society's director of education, Professor Richard Woulfe, says the suggestion never got off the ground and the society had never reserved such places.

The confidential minutes of the January 1978 council meeting quote the current president of the Law Society, Mr Maurice Curran, saying he "could see no difficulty in having, say, 10 places reserved for families of members of the profession."

The meeting appears, from the minutes, to have had no objection to the suggestion. Sixteen of the 30 council members at the meeting are still on the council.

Attention is also focusing on the qualifications of the 13 internal examiners who will mark this year's examination in November.

Students want to know why only six of the 13 have law degrees and why two have no degrees at all. Their qualifications as solicitors might make them suitable to mark the practical stages of the Finals Examination, they say, but not the FE-FP, which is designed to test whether a candidate has "sufficient grounding in academic law subjects."

All this might be of little concern to the English and Welsh profession were it not for the fact that when full reciprocity between Irish and English legal qualifications comes into force next year there is likely to be a stampede of Irish law graduates into the UK to take their finals.

This is bound to make it harder for English law graduates to gain places, which are already in short supply, at the Colleges of Law and the polytechnics that teach the English Law Society Finals Part II course.

Irish law graduates are exempted from five of the six core subjects of the English CPE. They have to sit land law only because English and Irish law in this area is so different. Once they have passed that paper, however, they are free to go on to do their Part IIs here.

In view of the obstacles they face at home, who could blame them if they all decided to come here?

LEGAL APPOINTMENTS

LAW SOCIETIES ADMISSIONS 15th AUGUST,1989

AVERY, Mark Donald B.A. Mr, Bristol, Avon
BALDWIN, Francesca Elizabeth LL.B Miss, Bury, Lancs
BARKER, Joanne Susan LL.B Miss, London
CHAND, Hockkam LL.B Mr, Birmingham
COHEN, Valerie Karen LL.B Mrs, Watford, Herts
COLLEY MURPHY, Fiona Elaine LL.B Mrs, Kettering Northants
COOPER, Reginald Samuel John B.A Mr, Hinckley, Leicester
DAVIES, Anne LL.B Miss, Marford, Wrexham
DRINKWATER, Richard Terence LL.B Mr, Leeds, West Yorkshire
EDWARDS, Emma Anne Ms, Chelsea, London
FIELD, Howard Stephen Mr, Grimsby, South Humberside
HASSETT, Peter LL.B Mr, Orrell, Wigan
HO, William Yiu-Wah LL.B Mr, Leeds
IDE, Julian David Frederick Mr, Wimbledon, London
JORDAN, Nigel LL.B Mr, Stourbridge, West Midlands
KLIMOWICZ, Andrew B.A Mr, London
LIGHT, Kevin Godfrey Mr, Hove, East Sussex
MARTIN, Miranda Theresa LL.B Mr, Shoreham By Sea, W' Sussex
MERCER, Andrew James LL.B Mr, Dover, Kent
MORROW, Simon Glyn LL.B Mr, Porthmadog, Gwynedd
OLLIVER, Catherine Elizabeth Miss, Oxford
PANKHANIA, Kirit Chhagan LL.B Mr, Southall, Middlesex
SAUNDERS, Paul LL.B Mr, Knowle, Solihull
SIMMONS, David James B.Sc Mr, Clifton Wood, Bristol
THOMSON, Roger Jeremy Lewis M.A Mr, Kingsbridge, South Devon
THORP, David Clifford LL.B Mr, Tarvin, Chester
TROY, Pauline Marie LL.B Ms, Bexleyheath, Kent
VOS, Richard Grahame LL.B Mr, Slough, Berks
WILSON, Robert Frank LL.B Mr, Twyford, Berkshire

DUE TO THE BANK HOLIDAY,
THERE WILL BE NO LEGAL APPOINTMENTS NEXT MONDAY. THEY WILL NEXT APPEAR ON MONDAY SEPTEMBER 4TH,1989.

CONSTRUCTION CONTRACTS

Developing Exmouth Docks into a marina

TEAM SERVICES has been awarded a design and management contract by Fairfold Properties to redevelop Exmouth Docks.

The initial construction phases are valued at £40m. The docks are to be transformed into a 130-berth luxury marina surrounded by town houses and apartments, a retail unit, public house and restaurant, together with offices for the harbour master and customs officers.

The overall development is worth £69m and covers an area of 48,000 sq metres. Altogether there will be 434 residential units, comprising 16 two-storey town houses integrated with three- and four-storey apartment blocks incorporating studios, one and two-bedroom flats and a number of penthouses.

There will be 729 car parking spaces, most of which will be at semi-basement level.

Team's first task is to put land reclamation and sea defence programmes in place. Work on this is scheduled to begin in the late autumn.

Taylor Woodrow builds London office blocks

TAYLOR WOODROW GROUP has won four contracts totalling over £40m.

The construction arm is building an eight-storey office block, worth £11.8m, in Whittington Avenue, next to *Lloyd's and Leadenhall* market. Gross floor area is 72,500 sq ft, and the work is for the Corporation of London. At Charing Cross a site is being developed for the Metropolitan Police Office. Valued at £12.4m, it involves erection of a five-storey building, and fitting out a four-storey shell.

Taymel, the management arm, has a £10m order from Plessey Defence Systems for engineering and construction services in support of a key contract awarded to Plessey by the Ministry of Defence for the *provision of satellite earth stations*. The new facility, at RAF Oakhanger, is to support the Skynet 4 generation of satellites.

A £6.5m contract is for design and project management of the installation of a 3000 tonne extrusion press at Almetex's St Helens factory.

Management scheme for hospital construction

AMEC PROJECTS has won a contract to provide management services for Fife Health Board's Phase II West Fife District General Hospital.

Overall cost of this hospital is in the region of £32m. Phase II will replace acute facilities in three separate hospitals in Dunfermline.

It is to be built under the design-and-build concept, believed to be the first time a contract of this type has been used on a major NHS hospital in the UK.

The project manager and his team will be responsible for preparing tender documentation covering a specification brief outlining Fife Health Board's detailed requirements, evaluating tenders, and recommending the contractor to carry out the work, which will include not only the design of the hospital but also the construction. He will supervise the building to ensure the required quality is attained.

HIGGS AND HILL CARIBBEAN has been awarded a contract, worth about £2.7m, for construction of a three-storey office building close to the commercial centre of Bridgetown, Barbados, which will become the new headquarters of the Manufacturers Life Insurance Company.

The site was originally occupied by the "Great House" of a sugar plantation, which had fallen into disrepair. Demolition and site clearance has started.

Cladding will be in coral stone, with full height coral-faced portico columns.

Motorway work for Mowlem

Work starts this month on building the southernmost section of the M3 motorway.

The £41.6m scheme, which will be built by **JOHN MOWLEM & CO.**, is due to be completed in the summer of 1991.

The work involves widening and upgrading the A33 between Poles Lane, Compton, to the south of Winchester, and its junction with the M27, to the north of Southampton. An interchange is to be built at Pitmore Copse, near Otterbourne, and a link road provided between the motorway and the A335 at Allbrook.

The invitation to tenderers to offer their own periods for construction has resulted in the earliest possible contract completion date for this much needed scheme. The letting of this contract is another step towards the completion of the M3, which is a vital link in the trunk road network, connecting the towns and ports of south Hampshire and Dorset with London and the Midlands.

Because of the heavy use of this important route, especially during the summer months, two lanes of traffic will be maintained in each direction during peak periods. This will minimise inconvenience during construction, although some delays are inevitable.

Motorists are advised to allow extra time for their journeys and, if possible, to use another route, particularly during busy periods. For the safety of motorists and construction workers, a compulsory 50 mph speed limit will be in force throughout the length and duration of the works.

..and roadbuilding for Wimpey

The UK civil engineering operation of **WIMPEY CONSTRUCTION** has won two contracts involving extension of a motorway in Kent and the conversion to dual carriageway of a trunk road in Somerset.

Value of the projects, awarded by the Department of Transport, totals over £41m, *and the period of completion is* set at two years.

"Missing link"

In Kent, the M20 contract will complete the eastern section of the "missing link" between Maidstone and Ashford. It will extend from its present termination north of Ashford to a point 11km away, near Charing Heath.

The contract entails construction of a section of dual three-lane motorway in mainly rigid pavement, as well as associated link roads and interchanges in the vicinity of the motorway's present termination.

Six road overbridges, one road underbridge, and a pedestrian subway will also be built and the contract includes about 4km of single-carriageway side roads.

Dual carriageway

Under a separate contract, Wimpey has been awarded the construction of over 7km of dual carriageway as an improvement to the A303 near Ilchester.

In addition to the stretch of dual carriageway, 1.6km of slip roads and 4.7km of single carriageway are to be built, both in flexible construction. The contract calls for two four-span bridges, and one single-span bridge, all with prestressed, precast concrete beams, on bored pile retaining walls. Culverts, drainage and culvert structures will also be provided.

Work on the road requires excavation of about 650,000 cumetres of material, and creation of embankments comprising 580,000 cu metres of material.

IN BRIEF.....

Bank of England registrar's department

TARMAC CONSTRUCTION has been awarded a £13m contract by the Bank of England to build a registrar's department in Gloucester. Work on the foundations of the 130,000 sq ft offices in Southgate Street has started, and the building will be ready for occupation about the middle of February 1991. Four storeys high, the building will be clad in traditional brickwork under slate pitched roof. The Bank has started moving staff into the area - about 30 are working in temporary quarters alongside some 100 locally recruited staff.

* * *

The £4.5m Long Melford bypass contract has been awarded to **ROADWORKS**, civil engineering division of Jackson Group.

* * *

IDC, an AMEC company, has been awarded a £4.5m design and management contract by Chloride for refurbishment of a 3,350 sq metre building in Manchester to form a sodium sulphur production module making the "Beta" cell. Completion is scheduled for June 1990.

* * *

TRY BUILD has been awarded a three-year term maintenance contract, worth £3m, for the runways and roads at Heathrow Airport.

* * *

FAIRCLOUGH & FOSTER BRIMS, part of the Brims Holdings Group, has won orders worth over £3m. The largest is a £1m contract for construction of a replacement mill at the Cornwall Works, St Helens, of BLM North.

* * *

The Property Services Agency has warded **FAIRCLOUGH CIVIL ENGINEERING** a £5.7m contract to upgrade the main runway at RAF Alconbury in 22 weeks. The 60 metre wide, 3,350 metre long runway will be regraded in asphalt, and both over-runs reconstructed in concrete.

* * *

BOVIS CONSTRUCTION has won mangement fit-out contracts for two Tesco superstores. One, for £2.5m, is at Altrincham Road, Baguley in Manchester; Bovis also won the £4m management contract to build the shell of this store. The other, also for £2.5m, is for the Mossley Hill store which Bovis is building in Liverpool.

* * *

J.M. JONES CONSTRUCTION has an order to design and build a £2.5m scheme of industrial and warehouse buildings on the Bow industrial estate in Stratford, East London. The development, of eight terraced and two detached buildings, will include and area of two-storey offices.

* * *

FONDEDILE FOUNDATIONS has contracts worth a total of £3.3m. Largest, at almost £2m, is for piling and underpinning a Grade I listed building in the Port East Development, Isle of Dogs, involving installation of 1500 Pali Radice piles.

HENRY BOOT & SONS has been awarded a £15m management contract for construction of a department of oncology, and centralisation of renal services at Nottingham City Hospital, for Trent Regional Health Authority. A 5km length of both carriageways of the M11 south of junction 5 is being resurfaced under a £4.1m contract from Essex County Council.

* * *

CONDER STRUCTURES is building a 26 metre high warehouse, worth almost £2m, at Accrington for Fine Art Developments, together with two-storey offices and a loading bay.

* * *

R.J. BARWICK & SONS, Dover, has won orders worth over £7m. The largest, refurbishment and restoration of the Old Palace for the Maidstone Borough Council, is valued at over £2.7m, with a contract duration of two years. At King's School the company is building a recreation centre, for £2.05m. Other contracts include the reinforced concrete substructure and frame for the Dover Heritage Centre, a £1.55m scheme.

COMPANY ANNOUNCEMENTS

CONTINENTAL (BERMUDA) LIMITED
US$250,000,000
Floating Rate Notes due 2006
Guaranteed by Hungarian Foreign Trade Bank Ltd.

Notice is hereby given that for the Interest Period 22nd August, 1989 to 22nd November, 1989, a period of 92 days, the Rate of Interest will be 9.1875 per cent per annum. The Interest Amount payable on the Interest Payment Date 22nd November, 1989 will be US$5,869.79 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets -International.

LEGAL NOTICES

Number 003716 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
Mr Justice Hoffmann
Monday the 31st day of July 1989
IN THE MATTER OF
PETROCON GROUP PLC
AND IN THE MATTER OF
THE COMPANIES ACT 1985.

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 31st July 1989 confirming the reduction of the Share Premium Account of the above named Company from £3,483,915 to £1,775,119 was registered by the Registrar of Companies on 18th August 1989.

Dated 18th day of August 1989

PHILIP EVANS & CO
ESSEX HOUSE
ESSEX STREET
STRAND
LONDON WC2R 3AQ
Solicitors for the above named Company.

RENTALS

PERSONAL

THE ROYAL UNITED KINGDOM BENEFICENT ASSOCIATION, (RUKBA), is helping more and more elderly and infirm people in need, from a professional or similar background, to remain financially secure in their own homes. It also helps those who need residential and nursing care. RUKBA is a registered charity. Please write to. William Rathbone, RUKBA, Freepost, 6 Avonmore Road, London, W14 8BR, to make a donation or to ask for more information about how to give by covenant or legacy.

DIARY DATES

FINANCIAL

TODAY
COMPANY MEETINGS-
Authority Invs., Cadogan Hotel, 75 Sloane Street, S.W., 11.00
Equity Consort Inv. Tst., New Court, St. Swithin's Lane, E.C., 10.00
BOARD MEETINGS-
Finals:
Resort Hotels
Sheldon Jones
Telford
Interims:
BICC
EBC
Evans Halshaw
Ibex
Kalon
Palma
Rentokil
Richardsons Westgarth
DIVIDEND AND INTEREST PAYMENTS-
Aon 35cts
Beecham 9.7p
Coalite 11.25p
Dewhurst Electrical 1.65p
Embassy Prop 2.2p
Equity Consort Inv. Tst. 12p
Do. Dfd 24p
Exchequer 10½pc 1997 5¼pc
Homestake Mining 5cts
Meat Trade Suppliers 2p
Mountview Estates 7.5p
New Zealand FRN's 1993 $493.38
Oil & Natural Gas Commission FRN's 1997 $505.92
Security Pacific FRN's 1997 $341.70
Shelton (Martin) 1.5p
Treasury 10pc 1992 5pc
Triefus 1p
Westpac Banking FRN's $515.35
TOMORROW
COMPANY MEETINGS-
Eve Group, Bakers' Hall, Harp Lane, E.C., 10.30
Fuller, Smith & Turner, Griffin Brewery, Chiswick, 11.00
Stormgard, Chartered Insurance Institute, 20, Aldermanbury, E.C., 10.00
TGI, 3, Ridgway, Havant, Hants., 11.00
BOARD MEETINGS-
Finals:
Aerospace Eng.
Davies (D.Y.)
Mainmet Hldgs.
Interims:
Cambridge Elect.
Equity & Law Inf.
Expamet Intl.
Goodhead
HongKong & Shanghai Bank
Scandanavian Bank
Scottish Eastern Inv.
Tronoh Mines
DIVIDEND AND INTEREST PAYMENTS-
Addison Consultancy 0.9p
Authority Invs. 4.25p
Bertam 3p
Boots 6.5p
Chase Manhattan FRN's 1991 $499.64
Control Techniques 1.8p
Friendly Hotels 1.6p
Fuller, Smith & Turner "A" 2.9p

National Westminster Und. Var Rate Nts $257.16
New Zealand FRN's 1997 £169.20
Owen & Robinson 0.3p
Sea Containers 15cts
Standard Chartered FRN's 1998 £166.67
Toothill (R.W.) 2.7p
Woolwich B. S. FR Ln Nts 1995 £333.97
WEDNESDAY AUGUST 23
COMPANY MEETINGS-
Allied Colloids, Stakis Norfolk Gardens Hotel, Hall Ings, Bradford, 12.00
In Shops, Solihull Conference & Banqueting Centre, Homer Road, Solihull, W. Midlands, 12.00
BOARD MEETINGS-
Finals:
Cullens
Havelock Europa
Heath (Samuel)
Herrburger Brooks
Interims:
Barr & Wallace Arnold Tst.
Lec Refrigeration
McAlpine (Alfred)
Marley
Mersey Docks & Harbour
More O'Ferrall
Sunleigh Elect.
Victaulic
Weir Grp.
DIVIDEND AND INTEREST PAYMENTS-
Carlton Comms. 3.05p
Christiania Bank FRN's 1990 $502.78
Christie 2.8p
Cropper (James) 1.825p
Dawson Intl. 5.95p
First National Finance 4.5p
Halifax B. S. FRN's 1998 £168.58
Imry Merchant Dev. 6p
Manufacturers Hanover Tst FRN's 1994 £1677.74
Morgan (J.P.) Int. Finance FRN's 1997 $252.38
Nationwide Anglia B. S. 4¼pc I-L. Ln. 2024 £0.9048
Shaw (Arthur) 2.7p
Stormgard 0.1p
Swan (John) 12p
Treasury 2½pc I-L 2011 £1.84 Vosper Thornycroft 5.75p
THURSDAY AUGUST 24
COMPANY MEETINGS-
Dowty Grp., Arle Court, Cheltenham, Gloucs., 11.30
Robertson Grp., Browns Hotel, Dover Street, W., 12.00
Scottish & Newcastle Breweries, King James Thistle Hotel, St. James Centre, Edinburgh, 11.30
BOARD MEETINGS-
Finals:
Brierley Invs.
Newmark (Louis)
Robertson Grp.
SEET
Interims:
ABS Kent
BPP
Bridon
Britannia Arrow
CSC Inv. Tst.
Cattle's Hldgs.

Gold & Base Metal Mines
Grafton
Wales City of London Properties
DIVIDEND AND INTEREST PAYMENTS-
Bank of Nova Scotia Fltg Rate Debs 2085 $608.06
Burton 8pc Ln 1998/2001 4pc
Costain Finance 7½pc Gtd Red Pf 2003 3.76pc
Debenham Tewson & Chinnocks 8p
Doctus 0.68p
Elswick 0.3p
Hogg Robinson 2.7p
In Shops 1.2p
Investment Co. 0.66p
Investors in Industry Intl. FRN's 1994 $26.45
Racal Electronics 4.56p
Rowe Evans Invs. 2p
Royal Bank of Canada 56cts
Throgmorton Tst. 0.8p
FRIDAY AUGUST 25
COMPANY MEETINGS-
AIM Group, Great Eastern Hotel, Liverpool Street, E.C., 12.00
FKI Babcock, Pennine Hilton National, Ainley Top, Huddersfield, 11.30
KCA Drilling, Hilton National Bracknell, Bagshot Road, Bracknell, 12.00
Utd. Guarantee, Goring Hotel, Beeston Place, S.W., 10.00
BOARD MEETINGS-
Interims:
Conroy Pet.
Inch Kenneth Kajang Rubber
Jourdan (Thomas)
Tilley Ind.
DIVIDEND AND INTEREST PAYMENTS-
Alexon 6.5p
Allied Colloids 2p
Aluminium Co. of America 40cts
Batleys 1.9p
Campbell & Armstrong 3.2p
Domino Printing 1.5p
Drayton Far Eastern Tst 0.6p
Eaton 50cts
Exchequer 12¼pc 1992 6⅛pc
French (Thomas) 1.45p
Great Western Financial 20cts
Jersey Electricity "A" 6p
Kode Intl. 2.5p
Lloyds Eurofinance FRN's 1998 £174.62
Melville Street Invs. 2.5p
Microgen 2.2p
Moorfield Estates 1.2p
Murray Technology 0.4p
Ranks Hovis McDougall 8¼pc Ln 1990/94 4⅛pc
Do. 8¾pc Ln 1991/96 4⅜pc
Rue Estates 3p
Scapa 6.23p
Security Archives 3p
Symonds Engineering 0.7p
TGI 4p
TSB Gilt Fd Pf (Class "B") 1p
Tribune Inv. Tst. 0.65p
SATURDAY AUGUST 26
DIVIDEND AND INTEREST PAYMENTS-
Treasury 10pc 2001 5pc
SUNDAY AUGUST 27
DIVIDEND AND INTEREST PAYMENTS-
Treasury 9½pc 2002 4¾pc

Trade Fairs and Exhibitions: UK

August 28-28
Town and Country Festival (0203 696969)
Kenilworth

September 3-6
Top Drawer Gift and Decorative Accessories Exhibition (01-727 1929)
Alexandra Palace

September 3-7
International Autumn Fair (01-855 9201)
Olympia

September 5-8
International Carpet Fair (021-705 6706)
Exhibition Centre, Harrogate

September 5-8
Offshore Europe Exhibition and Conference (01-549 5831)
Aberdeen

September 10-13
International Menswear – MAB (01-437 8754)
Earls Court

September 12-14
Point of Sale, Merchandising and Display Exhibition and Conference (01-340 3291)
Business Design Centre, Islington

September 12-23
Antiques Fair (04447 2514)
Chelsea Old Town Hall

September 15-23
International Boat Show (0703 737311)
Southampton

September 17-18
DIY Trade Show (01-302 8585)
Earls Court

September 17-19
Gallery 89 - Framing and Fine Art Market (01-855 9201)
Olympia 2, London

September 18-22
International Handling & Storage Exhibition (0895 58431)
NEC, Birmingham

September 18-19
International High Definition Television Exhibition – HDTV (01-931 8985)
Tara Hotel, London

September 19-22
International Helicopter Technology & Operations Exhibition (01-549 5831)
Redhill Aerodrome

September 25-28
International Police Exhibition & Conference (01-446 8211)
Barbican, London

September 26-27
Independent Power Generation Conference and Exhibition - INPOWER (0737 768611)
Heathrow Park Hotel

September 27-October 1
Personal Computer Show (01-486 1951)
Earls Court, London

September 29-October 1
National Franchise Exhibition (01-727 1929)
NEC, Birmingham

October 3-5
Transport and Distribution Services Show and Conference (01-868 4466)
Wembley Exhibition and Conference Centre

October 18-20
Law Society National Conference and Exhibition (0423 530588)
Exhibition Centre, Harrogate

November 27-30
NEWSTEC '89 - The Newspaper Society's exhibition and conference dealing with market led technology in newspaper production (01-636 7014)
The Brighton Metropole

Overseas Exhibitions

August 25 - Sept 1
World Fair for Beverage Technology - DRINKTEC-INTERBRAU (01-948 5166)
Munich

August 25 - Sept 3
International Audio and Video Fair (01-930 7251)
Berlin

September 3-9
International Autumn Fair (0375 392222)
Leipzig

September 4-9
Show of the Nations Exhibition (01-977 3474)
Vienna

September 13-14
Pre-Press Exhibition (0372 373161)
Copenhagen

September 13-17
International Fisheries Industry Exhibition (01-948 5900)
Nantes

September 14-24
International Motor Show – IAA (01-734 0543)
Frankfurt

September 17-20
International Hardware Show - QUOJEM (01-225 5566)
Paris

Sept 25-Oct 1
International Technical Fair (01-836 5219)
Plovdiv

Sept 28-Oct 3
International Robotics, CAD/CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566)
Paris

Business and management conferences

August 21-25
Management Centre Europe: The fundamentals of finance and accounting for non-financial managers (32/2/516.19.11)
Brussels

September 3-7
European Society for Opinion and Marketing Research 42nd ESOMAR congress (Amsterdam +31.20.6642141)
Stockholm

September 6
Tolley Conferences: Payroll manager's review third annual updating conference 1989 (01-680 5682)
London Press Centre

September 11
The Industrial Society: Annual hours – principles into practice (01-262 2401)
London

September 12
CBI Conferences: Pay and performance (01-379 7400)
Centre Point, London

September 13-14
Financial Times Conferences: World Motor (01-925 2323)
Hotel Inter-Continental, Frankfurt

September 13-15
ANCE+CITHA: World convention of trading companies (39 2 4818121)
Milan

September 14
Tolley Conferences: Duties and responsibilities of a company secretary (01-680 5682)
London

September 15
The Economist Conference Unit: Deregulation and joint ventures in international telecommunications strategies (01-839 700)
Royal Garden Hotel, London

September 20
Fibex: Doing business in Spain (01-537 1138)
Le Meridien Hotel, London

September 21
CBI Conferences: City investor relations (01-379 7400)
Centre Point, London

September 21
Business International: What the 90s will mean for international business (01-493 6711)
Hyde Park Hotel, London

September 21-22
Institute for International Research: Cost control and profitability in retailing (01-434 1017)
Park Lane Hotel, London

September 22
The Bow Group: The European defence industry and 1992 (0483 740780)
Chiswell Street Brewery, London

September 22
Battelle Institute: Strategic management of technology (01-493 0184)
RAF Club, London

September 25-26
IBC Financial Focus: The changing pattern of business (01-637 4383)
Regent Crest Hotel, London

September 26
The Economist: People mean profits in the '90s - why and how the human side of business is a critical source of competitive advantage (01-839 7000)
Hyde Park Hotel, London

September 27
CBI Conferences: Production efficiency (01-379 7400)
Centre Point, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

ARTS

Architecture

Messages from the interior

Colin Amery on a book that sheds new light on decor trends

It was that great Italian professor, Mario Praz, who started it all. When he published his *Illustrated History of Interior Decoration* 25 years ago he was the first person to collect and publish contemporary views of interiors.

His book was in many ways also an illustration of his life. He made, in Rome, a set of rooms that not only housed his neo-classical collection but which were for him "the house of life." How curious it was that his obituaries failed to mention his important work on the history of interiors and concentrated on his work as a professor of literature.

The important thing that Praz achieved was to show that the small worlds we create to live in can be works of the imagination. Our understanding of the past, our appreciation of objects and furnishings, is much enhanced by a sharpening of the aesthetic senses. There have been followers of Praz who have compiled more detailed and extensive volumes about the history of interior design, but none of them has assembled the material with the same intense understanding of the artistic imagination.

Books such as Peter Thornton's excellent history of the European, and to some extent the American interior, *Authentic Decor – The Domestic Interior 1620 to 1920*, is invaluable as both a social history and a source of images and details. Stephen Calloway took that process on in an inevitably more selective way with his *Twentieth Century Decoration*, and now a new, solid 400-page tome has arrived – *Nineteenth Century Decoration, The Art of the Interior*, by Charlotte Gere published by Weidenfeld and Nicolson in London at £50. It will be be available in the shops early in September.

Like its predecessors this book is a visual treat and immensely seductive, containing page after page of enchanting contemporary views and photographs of still domestic worlds of the past. But there is a danger – and Charlotte Gere must have been aware of it – that yet another volume on the history of interior decoration simply reflects a publisher's formula for a profitable book. The format has become familiar, and indeed this book includes much that we have seen before. I have no wish to carp, because the book is a a great achievement, but it could easily have been two volumes. The running text is so often interrupted by long captions and irrelevant illustrations that the reader is inevitably inclined to skip. The text is, in fact, fascinating and full of valuable and intriguing contemporary accounts of rooms. Take, for example, Queen Victoria inspecting the rooms at Windsor as the finishing touches were being made for the visit of the Emperor of France and the Empress Eugenie. The Queen's views show that familiar English royal mixture of grandeur and economy: "There was much fine old furniture in store, which has been usefully worked up."

The story of the nineteenth century in terms of architectural history or the history of interiors is a complicated one, and this broad sweep shows just how complex it is. The early Empire/Regency phase has always seemed to extend and soften the infallibility of classicism from the eighteenth century. It is probably right to see at least 50 years after 1820 as years of confusion. The Neo-Rococo and the Neo-Gothic were both powerful explosions of creativity in Europe, but there is a feeling that someone like William Morris was necessary to sort things out and simplify taste. He saw the importance of manufacturing and mass production and the consequences for domestic interiors. Historians have simplified things to make it look as though Morris was paving the way for the death of history and the rise of the Modern Movement. In fact he tried to make the vital marriage between the past and the present, and was successful and popular.

Gere's book shows that stylistic movements *do* filter into the domestic world. Morris, the Aesthetic Movement (there is a good contemporary description of the interior of Oscar Wilde's house), the Arts and Crafts, Art Nouveau, the Vienna Secession, Frank Lloyd Wright and the new Renaissance in America; all flourished in the home and influenced commerce.

How this happens is hard to fathom and I would have liked more information about propaganda, the role of exhibitions and museums and patronage. It is difficult to write about more everyday homes, but fortunately there were in the nineteenth century travellers who carried their watercolours and recorded the rooms they occupied; Mary Ellen Best and Count Arthur Potocki did not hesitate to record rented rooms and inns.

The arrival of photography should have widened the range of the recording lens. But photographers seem to be as artful as painters and the opulent interiors recorded by Bedford Lemere and the world of early *Country Life* photographers show a continuing preference for the evocation of a contrived romance of a particular fashionable world.

The over-decorated and over-furnished interiors towards the end of the century make for very crowded photographs. You can understand the feeling of a writer in 1904 who felt that it was disconcerting to find that your host and hostess were less noticeable than their wallpapers. Even Norman Shaw had mixed views about the value of William Morris. He saw him as "a great man who somehow delighted in glaring wallpapers."

The nineteenth century offers us so many parallels, particularly as we are living now in an enthralling but confusing transitional phase of taste. The scholarship, learning and sheer enthusiasm for serious observation of the past that is shown in this book and others of its genre is amazing.

The tragedy is that it is simply not applied to the teaching or practicing of architecture and interior design.

Somehow the scholar and the amateur are in the lead when it comes to domestic design – the architectural profession certainly has a long way to go to catch up. This book opens endless informative windows into the recent past. It avoids any major conclusions but provides plenty of material to help us make judgments that are better informed. It should be read widely. And – apart from anything else – it is a pure and indulgent pleasure for the eyes.

Interior of a room at Stanmore Hall, Middlesex, as decorated by William Morris

Gothenburg Symphony

ALBERT HALL, RADIO 3

Two concerts by the Gothenburg Symphony began a week of Proms that will be dominated by visiting orchestras. A decade ago the arrival in London of this orchestra would have created few waves, but the rise of the Gothenburg under Neeme Järvi, together with that of the Oslo Philharmonic (also due at the Albert Hall, on Tuesday), has been one of the most striking of recent developments on the European orchestral scene.

As both Friday's and Saturday's concerts demonstrated the Gothenburg is now a formidable, highly characterful band, confident of its own profile and capable of playing that compares favourably with almost anything offered elsewhere. Järvi's careful husbandry must take much of the credit for this development, and it offers an example that ought to commend itself to London's orchestras, which so often seem more concerned to chase conductors with fat recording contracts rather than looking for those who will give them long-term commitment and careful training.

The Swedes brought no native music, but Sibelius was a feature of both programmes. It was Järvi's recorded pilgrimage through Sibelius's orchestral music which first drew attention to the results he was getting in Gothenburg, and here, in both the Second Symphony and two of the Lemminkainen legends the same admirable qualities of spaciousness and warmth suffused the performances. *The Swan of Tuonela* was distinguished by rapt, even cor anglais playing and well-focussed string chords; *Lemminkainen and the Maidens of the Island*; perhaps the least familiar of the series, received a convincing symphonic undertow and rapturous, glowing climaxes.

Moments in Nielsen's Fifth Symphony, the major work in Saturday's programme, seemed almost too spacious. Though the lack of flurry in the first movement was welcome and the laying-out of its constituents exemplary, the sense of disaster just averted on the symphony's emotional catwalk, was remote; the snare-drum cadenza was too easily tamed, and the presentation of ideas in the second movement too pat. Yet so much of the sense of the work was conveyed, and the shape so clearly delineated, the shortcomings were minimised; Nielsen is rarely heard so comprehendingly in London.

Two staple concertos and a novelty completed the programmes; both soloists – Cho-Liang Lin in Mendelssohn's Violin Concerto and Roland Pöntinen in Grieg's Piano Concerto – gave the bold assertive accounts necessary in the circumstances with much style. The novelty, most eloquently played, was the British premiere of Arvo Pärt's Third Symphony, dedicated by Pärt to his fellow Estonian Järvi. The symphony dates from 1971 and was the last work before Pärt's seven-year creative silence to be broken by the sequence of works that has made his reputation as the human face of minimalism.

The symphony gives a few hints of that later direction – the hankering after archaic harmonies, an ability to fasten upon deeply resonant sonorities, a tendency for melodies to rotate on their own axis. The rhetorical, self-consciously symphonic elements create an uneasy mixture with the contemplative, quasi-liturgical style towards which Pärt was evidently tending; there are vivid moments, but scattered about a framework that is never convincing.

Andrew Clements

Bros

WEMBLEY STADIUM

Bros, a teeny-bop band hurriedly trying to grow out of its audience before the audience grows out of it, delivered a performance at Wembley on Saturday night that confounded its critics. "We proved the world wrong about Bros," exulted Matt Goss to high-pitched acclaim from the thousands of screaming fans who packed one end of the stadium.

Much cynical press had been flung at the the two brothers from south London in the run up to the ambitious summer show. Bros can't sing and they can't play, carped the critics. After half a dozen hits they are past it and they won't be able to sell enough tickets to fill the local kindergarten let alone Wembley, crowed the cynics.

Well, like two modern pretty-boy Robins (and the Batman logo was to be seen everywhere in the crowd) Matt and Luke righted all wrongs, producing an exciting show that went down a storm with their pre-pubescent faithful.

There is no doubt Matt can sing, his voice a powerful falsetto, effortlessly reached the high notes his young fans had been hitting all day. Brother Luke can play the drums, providing a solid if unspectacular beat for the faceless, professional backing band.

Bros compose their own songs, and while few are likely to linger long in the memory, they at least match the basic demands of modern pop; aggressive, narcissistic lyrics set to muscular funk tunes. And if Wembley clearly was not full there was no doubting the passion of their sizeable following.

Yet the one question that remained unanswered after this performance was, do Bros have a future? The band's appeal is steeped in sibling, not sexual, love. Identical twins Matt and Luke, frighteningly, flawlessly pretty in matching blonde flat-top haircuts and sunbed suntans, are favourite elder brothers to the band's huge female following.

The obvious problem with this appeal is that it has a strict sell-by date. When their fans reach puberty, Bros will be cruelly deserted.

Although Bros claim to have added a harder edge to their music, there was little to differentiate the new from the old. Each song merged seamlessly with the next, and the subject matter rarely changed. From "I want to be famous" to their new single "Liar", Bros revealed their preoccupation with a selfish, immature materialism they mistake for the cool conceit of adulthood.

An inability to come up with a classic pop tune could prove their fatal weakness, scuppering any chance the has to mature before its audience does.

The climax was remarkably restrained, revealing the brothers' inexperience in stage craft. Their young fans have yet to learn that you do not get an encore unless you scream for one, and on the closing "Drop the Boy" Matt failed to whip them into the frenzied finale the occasion required.

Pausing for a final pouting pose, Bros dropped from sight through trap doors. It was a departure that could prove dangerously symbolic.

Patrick Harverson

Adventures in motion pictures

THE PLACE

MATHEW BOURNE'S choreography is among the rare delights of the British new-dance scene today, and it is the best of several good reasons to see Adventures in Motion Pictures. At its best it reminds me of the comic choreography of two senior British choreographers – Frederick Ashton (see *Façade*) and Richard Alston (see *Java*). It is musical, varied, economical, neatly crafted; it is full of lively footwork and vivid mime; and it displays an impish po-faced ac/dc wit.

The Infernal Galop, Bourne's new piece, is a quick British flick through a pile of period caricature postcards of France and Brassaï photographs. Cartoon French figures at the front – La Liberté to the right. A jumbly view of the Eiffel Tower at the back. Fog in the air. A man in mac, cap and pipe bicycling across. (Designs by David Manners.) The six musical items range from Mistinguett's *Les Enfants de Paname* to Offenbach's *Le Grand Escart*. The choreography is a franglais array of dance/mime vignettes – cocottes, pigeons, fish, matelots, pissoirs, rendez-vous and oh-la-la – deftly drawn by Bourne with inventiveness, assurance and affection.

Bourne sets a drily ingenious quartet to that most sentimental of Edith Piaf's numbers, *Hymne à l'Amour*. Here, as often in his work, a male-female duet (he lifts her) is matched by a female/male one (she lifts him), the partners keep swapping – and yet the ending reinforces the song – a wide-eyed dancing fish, a half-dressed male couple whose liaison in *Pissoir* is repeatedly interrupted by four merrymakers, a glorious few throwaway unison slow kicks that are a brief sketch of the can can: these are among the *Galop's* great pleasures.

Another novelty is Keith Brazil's *The Stuttering Lovers*, also simply and sharply drawn. It accompanies six Songs of the British Isles as recorded by Kathleen Ferrier – though Brazil does not include *The Stuttering Lovers* itself – and from them he takes his dramatis personae to create pencilled folk scenes.

Like Bourne, Brazil knows how to work against as well as with the words, accents and phrases to fine effect. His choreography has a flair for gesture: these characters have real lives even when you can't specify what they're saying.

Bourne's 1988 *Spitfire*, a very funny, very solemn dance for four men in white underwear, begins the evening. Minkus and Glazounov ballet music; famous poses from the 1845 ballerinas' *Pas de Quatre*; female corps de ballet material from Balanchine's *Serenade*; a grouping from Merce Cunningham's *Septet*.

The various levels of this work – classical ballet, barefoot would-be he-men, underwear advertisements – are tied together by its lively response to the music. A pity that these three works, which make their dancers so likeable, are joined by Brigitte Farges's *Kalenda Maia*. This work lacks the precision and economy that distinguish the rest of the programme.

Alastair Macaulay

Incontri in terra di Siena

The only complaint I have about Italy's newest – and arguably most elegant – festival is that its title (*Incontri in terra di Siena*), while it works beautifully in Italian, is hard to translate into English (Encounters in Siena territory is, I suppose, accurate, though hardly graceful). But, call it what you will, this little series of chamber music evenings, performed outdoors in some splendid, but usually not well-known settings, can be decreed a total success at every level.

Socially, it has already established a faithful and enthusiastic audience. Musically, it is in the capable hands of the young cellist Antonio Lysy, largely English trained but bound to this area by family affections. In fact, his grandmother was the Anglo-American-Italian writer Iris Origo, and the Origo property, La Foce, in the haunting Val d'Orca, is the focus of the festival.

After a private concert at the Origo villa there, the first public concert was held at the Fattoria dell'Amorosa, just outside the town of Sinalunga. There, the London-based Goldberg Ensemble played a wisely-chosen programme in the spacious courtyard of an ancient rural complex. The Ensemble played through the long summer sunset, first a Mozart Divertimento (K 138), then two British pieces, the serene Elgar Serenade for Strings and the spiky Malcolm Arnold Concerto for two violins and strings and in conclusion, the irresistible Dvorak string Serenade (more an invitation to the dance than to repose).

Though the acoustic was not ideal, and tended to thin the string tone, the group was able to display its sure ensemble and its grasp of a wide-ranging and demanding repertory.

Another concert was given in the courtyard of the superb Palazzo Piccolomini in Pienza. The Fattoria was the scene of a second chamber recital, and two concerts were given in the Castelluccio di Pienza, a little medieval fort on the Origo estate. Here, the festival's concluding programme consisted of two piano-violin-cello trios (Mozart K. 542 and Brahms op. 87 n. 2) performed by Lysy, the violinist Stephanie Gonley, and the pianist Jeremy Menuhin. Between these two works, Menuhin performed – with shimmering brilliance and laudable sobriety – Debussy's *Estampes*. The Trios also made a profound impression, not least because of the perfect coherence of the three players. Here, the acoustic was more favourable, too; and the musicians' subtlety was not lost.

There is no shortage of festivals, to be sure, in the province of Siena (Montepulciano is one; and the veteran Settimana senese, sponsored by the Accademia Chigiana in Siena itself, will take place in a couple of weeks); but this new enterprise definitely fills a gap, all the same. The perfect harmony between the serious yet always enjoyable programmes and the generally secluded, serene places is something special.

It should be added that after most of the concerts a buffet supper is available, and is delicious. So after the feast of music, the gala meal continues the festive spirit. Friends arrange to gather from all over central Italy, and these "encounters" are happy, indeed.

William Weaver

ARTS GUIDE August 18-24

MUSIC

London

The Proms. This year's Proms continue until September 16. Most concerts take place at the Royal Albert Hall, although St Paul's Church, Knightsbridge, and Kensington Town Hall are also used. Tickets for most concerts cost from £3 to £11 and can be booked on 589 8212, 589 9465 (10am-8pm) or 379 4444 (24 hours); promenade tickets are available only at the door on the day of the concert priced at £1.50 or £2.

The week's concerts include Beethoven and Schubert played by the London Classical Players under Roger Norrington (Mon); the Oslo Philharmonic Orchestra conducted by Mariss Jansons playing Dukas, Honegger, Tchaikovsky (Tues) and Strauss, Elgar, Nordheim and Stravinsky (Wed); the Schoenberg Ensemble performing works by Schreker, Hindemith and Schoenberg (Wed); and a concert of music by Copland, Mozart and Elgar played by the London Philharmonic Orchestra under Leonard Slatkin (Thur).

Paris

L'Orchestre des Jeunes de la Communauté Européenne, conducted by Bernard Haitink. Bruckner. (Mon) Salle Pleyel.

Harpsichord Concerto, Colin Tilney: Frescobaldi, L. Couperin, Buxtehude, J.S. Bach. (Wed) Auditorium des Halles.

Brussels

Ghent Oratorium Vereniging, conducted by Jo Ivens. Galuppi. (Mon) (217 83 45) Cathedrale Saint-Michel.

Organ Recitals. Corette, Kellner, Bach, Haydn, Ruppe (Tue) (6 217 83 45).

Chapelle des Brigittines, Brussels Virtuosi. Mendelssohn, Schoenberg (Mon).

Frankfurt

Frankfurter Feste 1989. This year's Frankfurt Festival with the title of A Common-Brotherhood is based on two historic events: the French Revolution in 1789 and the start of the Second World War 50 years ago.

The programme with about 100 performances, attempts to explain the historic events and their influence on contemporary culture and society in terms of the struggle for liberty. It starts with an international choir festival with 10 different ensembles from various nations, accompanied by the Moscow Radio Orchestra, jointly conducted by Wladimir Fedosejew and Gary Bertini. There will performances of works by Mauricio Kagel, of Britten's War Requiem and Prokofiev's Alexander Nevsky. Most of the Beethoven symphonies will be played by the Concertgebouw Orchestra Amsterdam, conducted by Riccardo Chailly, the Berlin Philharmonic, Leningrad Symphony, the Saito Kinen Orchestra under Seiji Ozawa. The North German Radio Orchestra will perform Krzysztof Penderecki's Polish Requiem, under the composer. Other highlights include a concert version of *Andrea Chenier* starring Renato Bruson, Franco Bonisolli, Maria Guelegina and the Budapest Radio Choirconducted by Gianluigi Gelmetti, as well as Handel's rarelyplayed *Tamerlano*. There will also be contemporary music by Wolfgang Rihm, Maurizio Kagel, Michael Sell and Antonio Madigan. Experiments, musical theatre, chamber music, exhibitions and open-air music round off the programme. Alte Oper: tickets Frankfurt 069/1340-400. Ends Oct. 3.

Vienna

Leonid Brumberg piano recital. Haydn, Chopin, Liszt (Mon).

Hungarian National Philharmonic conducted by Adam Fischer. Haydn, Saint-Saens, Kodaly. Arkadenhof (Tues, Thur).

Wiener Mozart Orchester in historical costume, conducted by Manuel Hernandes-Silva. Mozart. Konzerthaus (Wed).

New York

Mostly Mozart Festival. Beaux Arts Trio. Mozart, Mendelssohn, Schubert (Mon). Festival Orchestra conducted by Gerard Schwarz with Midori (violin), Patricia Schuman (soprano), Susanne Mentzer (soprano) and Vinson Cole (tenor) and the Festival Chorus directed by Joseph Flummerfelt. Mozart programme (Tue, Wed). Avery Fisher Hall (874 2424).

Tokyo

Tokyo Philharmonic Orchestra conducted by Hiroyuki Iwaki. Strauss, Debussy, Scriabin (Mon), Bartok, Poulenc, Shostakovich (Thur). Suntory Hall (359 9755).

Yomiuri Nippon Symphony Orchestra conducted by Kazushi Ohno. Schubert, Beethoven, Dvorak (Tues). Conducted by Masahiko Enkohji. Mendelssohn (Wed) Suntory Hall (270 6191).

International Stamp

DOUBLE FEATURE
by Terence Stamp
Bloomsbury £14.95, 336 pages

In any self-respecting car chase in the cinema, the speeding hero (or villain) must demonstrate his contempt for man-made barriers. Level crossing, police roadblock, customs post – never mind which, he must fly through it, smashing hindrances like matchwood and leaving dazed officials double-taking in his wake.

The cinema itself is catching this habit. In the age of ever-more-impotent language barriers, Terence Stamp's third volume of autobiography, *Double Feature*, is cherishable less for the romance with Jean Shrimpton, which is madly waved at us from the jacket photo and fly-leaf blurb, than for its account of Stamp's trend-setting tango with European cinema in the 1960s.

Chosen by Antonioni for *Blow-Up*, he was rudely dropped when Signor A found David Hemmings. Fellini promptly picked our hero up, dusted him down and starred him in *Toby Dammit* (his story in the episode film *Tales Of Mystery*). And soon after that Pasolini made him a sexual demi-god in *Theorem*.

Since then, Stamp has spent his career playing just about everything *but* an Englishman and acting everywhere *but* in England. Most recently he's been a Wall Street high-roller (*Wall Street*), an ageing cowboy (*Young Guns*) and a space alien (*Alien Nation*). And why not? In the co-production age, cinema no longer respects language barriers or cultural barriers, nor even behavioural differences between nations.

Stamp's book is a delightful comedy of confusions by a writer clever enough to guy himself while guying others.

When stars reach Stamp's stature they can be used as exactly that: a rubber-stamp to 'internationalise' a French, Italian or Ruritanian film. Next to this Candide-like comedy of a jet-setting 'innocent' abroad, the book's home-grown memories are less riveting.

Nigel Andrews

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
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Buy-outs feel the strain

CREAKING NOISES are to be heard in the corporate sector. In the past week or so, two sizeable British companies have had to restructure their balance sheets in a radical and rather painful fashion: both are up to their eyes in debt as a result of their managers having earlier raised large loans to buy control of the business. A third has been unable to syndicate a large loan which was also intended to finance a management buy-out, and the managers of a couple more have failed in their attempts to organise finance for similar buy-outs.

In the US, distress signals have been coming from a number of companies which had been the subject of highly leveraged buy-outs in the past few years, and the prices of some so-called "junk" bonds – which are often used to finance such transactions – have been looking very sick in the secondary market: some are now offering yields of over 25 per cent. Are these isolated incidents, or do they signal more trouble to come?

High-priced goods

One obvious feature of all the troubled UK companies, and of some of those in the US, is that they are broadly in the same line of business – retailing high-priced consumer goods for use in the home, like carpets or furniture. This was all the rage a couple of years ago, when the new housing market was shooting ahead, but it is highly cyclical in character and has succumbed very rapidly to a combination of falling house sales and high interest rates. Buy-outs which have taken place in other, less volatile sectors – such as food retailing or (*pace* BAT Industries) tobacco – ought to be a lot more secure.

Problems are hitting a wider variety of businesses in the US, but companies there are a lot more vulnerable to a financial squeeze than are those in the UK. As a result of leveraged buy-outs, the equity of the non-financial corporate sector has shrunk by over $400bn in the past five years, which is equivalent to about a tenth of its total value at the start of this year. The balance sheet structure of corporate America has deteriorated accordingly.

In the UK, the volume of buy-outs has been much more modest.

The capital gearing ratio (net debt as a proportion of replacement cost capital stock) has climbed quite rapidly since the early 1980s, and will rise further in the current year. But it is still well below the dangerous peaks of the early 1970s, and income gearing – showing the relationship between finance costs and profits – remains at relatively low levels.

High profit levels

However, there are risks. For one thing, UK profits are now running at a very high level: the real rate of return for non-oil companies last year was the highest for more than 20 years. Significant further improvements seem unlikely, and as the two companies which announced restructurings last week found to their cost, any setback can have a dramatic impact on the financial ratios of highly borrowed concerns.

For another, the prospect of fat returns for investors and very high fees for bankers has encouraged some rather dangerous ideas in the past year or two. In particular, it has become fashionable to dismiss old notions about the appropriate level of debt for a particular business as being hopelessly outdated. This is bull market thinking: never mind the assets, which are frequently undervalued anyway – all that really matters is the amount of free cash flow which a company generates. But the truth is that income gearing can be shot out of line by both lower profits and higher interest rates – and it is at that point when readily marketable assets show their worth.

Old-fashioned financial virtues have a way of re-establishing themselves when times become harder. By all accounts, bankers are still queuing up to finance highly borrowed transactions in the UK (although there are signs that US bankers are becoming rather more circumspect). They would do well to take note of the message from last week's problem companies: a good story of two years ago turned into buy-outs one year ago – and this year, became trouble.

Sweden revises the model

SWEDEN'S RULING Social Democrats have been admired for 50 years for their successful ability to fuse market economics with a comprehensive welfare state. Their newly published draft programme for the next decade is, therefore, bound to arouse widespread interest, particularly in Britain and West Germany where their counterpart movements are trying to revise old ideas and approaches.

It is understandable that the Swedish Social Democrats continue to emphasise their commitment to a "strong economy" which has ensured full employment, high income levels and a degree of equality not matched in other western countries. The coming tax reforms, the financial deregulation of the country as well as Sweden's determination to harmonise with the European Community's internal market by 1992 all underline the party's belief in the necessity of embracing economic liberalism.

While the document stops short of actually suggesting the privatisation of parts of Sweden's massive public services sector, it makes it very clear that the limit has been reached in using taxes to make it bigger still. Instead, the intent is to make public services more cost-effective and productive by reversing the traditional slogan of "more money for reforms" into "more reforms for the money."

Personal freedom

The document soberly emphasises that although social democracy has been and will continue to be concerned with the enhancement of personal freedom for everybody it cannot provide a guarantee of the good life. Thus the language of the class war is conspicuous by its absence, though the traditional commitment to equality remains.

The high priority to be given to the environmental question in the new manifesto is a sign of the times. However, in putting a serious question mark over the wisdom of Sweden's present energy policy, which involves both abandoning nuclear power over the next 20 years as well as tightening up on dioxide emissions from other fuels, the authors have revived an issue that bitterly divided Swedish politics in the 1970s. Here, the party's strong union allies are fighting a rear-guard action against the anti-nuclear lobby with the worrying observation that the cost of the present strategy will be higher unemployment and uncompetitive industries, threatening the country's high living standards.

Dead-end jobs

But the Social Democrats are seeking to broaden the issue to cover working conditions in industry with a radical new strategy for the labour market aimed at eliminating thousands of monotonous, dead-end jobs. Good as it sounds in theory, the document fails to address, in practice, a central dilemma. Sweden's impressive industrial recovery during the 1980s has been mainly due to the success of its big companies in world markets in the old manufacturing sectors where inevitably many jobs are mundane. At the same time the country has been relatively slow to develop new industries.

A purge of stressful jobs in the Swedish labour market – as recommended in the new programme – may make environmental sense but it could also destroy the primary source of Sweden's current wealth. It may also lead to an unacceptable level of unemployment, particularly as the public services can no longer create jobs as easily as in the 1960s and 1970s to cushion occupational change.

What Sweden really needs is the creation of an entrepreneurial atmosphere that will encourage the growth of new small companies in new products and this must involve a bias against bigness. For too long the Social Democrats have been content to fund their social programmes on the backs of the large traditional, well-organised firms. Unfortunately the document – the inevitable result of a compromise between the party's different interest groups – fails to address this vital question. But, unless Sweden begins to generate jobs in high-technology areas, it is hard to see how the admirable aim of a environment fit for people to work in can be achieved.

Robert Graham examines why Latin American institutions and leaders so often disappoint

Trials of cappuccino democracy

The triumph of the ballot box over military rule has been one of the most remarkable phenomena in Latin America during the 1980s. Ten years ago, more than half the region's population lived under the military: now almost 90 per cent live within democratic systems, albeit imperfect ones.

Argentina, Bolivia, Brazil, El Salvador, Guatemala and Uruguay have all witnessed a return to civilian government. Chile, after 16 years of military rule, is set on a seemingly irreversible path towards full democracy. Paraguay earlier this year saw the enforced departure of General Alfredo Stroessner, the last of the old style "family" dictators, and a reasonably fair election ensued in May. Early next year Nicaragua is pledged to hold openly contested elections. Within the region only General Noriega's Panama and President Fidel Castro's Cuba survive as instances of personalised, military-backed rule.

Yet for all the recolouring of the political map, the short-term results of this democratisation process have been at best mixed and frequently disappointing. All too often leadership has been mediocre and self-interested. Governments have allowed civilian rule to become an end in itself and have so far failed to establish adequate democratic institutions.

Democracy has been introduced from the top downwards: not nurtured from the grassroots upwards. It is what might be called "cappuccino democracy" – where the froth on the surface conceals the real taste.

The positive aspects cannot be ignored. The military have realised in country after country that they lack the legitimacy to govern. Those groups which have traditionally backed them, notably the business oligarchy, recognise this as well. Human rights abuses, one of the ugliest features of military rule, have sharply declined even if civilian governments cannot always claim to be in control of the security forces in countries like Guatemala and El Salvador.

The media is far freer, and greater freedom of expression has permitted ideas and trends to cross frontiers with increasing speed. Voters now have a reasonable choice in elections that are being conducted with less risk of deliberate fraud. Even Mexico, which once offered the spectacle of permanent one-party rule through an arrogant Institutional Revolutionary Party unafraid to rig the vote, is edging towards pluralism.

The ideological dogmatism of left and right that evoked stark options of revolution or reaction has been replaced by a new sense of pragmatism. This applies even in war-ridden

The ideological dogmatism of left and right has been replaced by a new sense of pragmatism

societies like Colombia, El Salvador, and Guatemala. Socialist Cuba has been totally discredited as a role model, as indeed has Castro's idiosyncratic god-child, Sandinista Nicaragua, which after 10 years finds itself poorer than Haiti. Insurgency and urban guerrilla warfare, the hallmark of the 1970s, have, with the notable exception of Peru, declined.

Violent crime has grown as a result of the spread of drugs and urban poverty. Nevertheless, ideologically motivated violence has declined, despite the prevalence of factors like rampant inflation which not long ago would have been considered the classic breeding ground for revolutionary upheaval. Average inflation in Latin America last year was an unprecedented 470 per cent.

Living standards have fallen sharply so that per capita incomes are still below the boom years of the late 1970s. The struggle to preserve jobs and incomes has produced an uneasy social calm, punctuated by sporadic, but limited bursts of popular anger. This has usually been over price rises – the case in Argentina, the Dominican Republic, and Venezuela this year.

This apparent stability and the embrace of the middle ground in politics can be attributed to three broad factors:

- Latin American societies are both maturer and more urbanised, reflecting the weight of a growing middle class which wants consensus. Between 1970 and 1980, the agricultural labour force declined almost 10 per cent to 32 per cent with an almost corresponding increase in the service sector.
- The combination of lower commodity prices and the debt crisis has narrowed the options of leaders. The electorates in turn appear to recognise this. The emergence of populist leaders with simplistic solutions has so far been restricted to the disastrous performance of President Alan Garcia in Peru. The return to office of President Carlos Andrés Pérez of Venezuela in February created similar expectations, but he has opted for orthodox solutions; and even Mr Carlos Menem, the new Argentine President, looks set to belie his populist reputation.
- The industrialised countries of the West have been anxious to assist the consolidation of democracy, at least with diplomatic support. At the same time the new Soviet leadership has recognised the bankruptcy of supporting revolutionary movements and socialist regimes and instead wants to establish itself in the region. This policy switch is now understood by Washington, freeing the region from the tensions of superpower rivalry.

But the basic characteristic of democracy in Latin America is its underlying weakness rather than its fragility. The military has withdrawn, not retired, from direct government and has yet to establish for itself a clear role, other than as the ultimate guardian of sovereignty and social order. The army's obstructive background presence forces politicians always to look over their shoulders.

The military has been converted into the most powerful trade union in each country. This is most evident in Argentina, where the three recent army rebellions have not been intended to overthrow the Government, merely to achieve through force of arms specific "sectional" demands.

No fewer than eight countries have introduced new constitutions or amended existing ones during the past 10 years. All reflect in varying degrees a desire to reduce the role of the state, increase private initiative, broaden the base of representation, make government more accountable and strengthen democratic institutions within the rule of law.

While there is a remarkable degree of agreement on what needs to be done, the capacity of governments to achieve this has been limited. Part of the blame can be attributed to the debt crisis and the ensuing economic difficulties. Nevertheless, the real fault lies closer to home. Good intentions have foundered against powerful interest groups, are derailed by poor leadership and bad management, or are undermined by the lack of an institutional framework. This has been the special plight of Argentina, Brazil and Peru.

The nature of the executive is proving profoundly faulted. All Latin American democracies have adopted presidential systems which invest excessive power in one man for a fixed period of office.

With large power invested in the president this produces a pyramid system, where far too much depends upon the personality and quality of the president. It also inhibits delegation so that minor matters get referred to the top, both lessening the amount of time available for important decisions and placing an enormous, if not unacceptable, load of work and responsibility on very few people. Presidents become isolated and dependent on what their aides wish them to hear.

The highly personalised use of presidential power has led interest groups to bypass parliament and lobby the presidential circle, or to flex their muscles in public until the government takes notice. This reduces the role of parliament even as a debating forum, and makes the president vulnerable to manipulation. Big business up and down the continent has successfully defended its interests in this way over fiscal issues and competition. It is no accident that fiscal policy under democracy has failed to address the tremendous inequalities of wealth. This also helps explain why the drug barons can operate with such impunity.

Paradoxically, the very constraints on the abuse of authority built into constitutions tend to work against the satisfactory operation of the system. This starts with the way in which every Latin constitution has a rigidly fixed term of office and is compounded by the restriction of preventing the president either from ever standing again (the case of Mexico) or from serving consecutively (in all the others). In Argentina and Mexico the term is for six years; Brazil, El Salvador, Panama, Paraguay, Peru, Uruguay and Venezuela have a five-year term; and in Bolivia, Colombia, Costa Rica, the Dominican Republic, Ecuador, Guatemala and Honduras presidents serve for four years.

While six years allows a government to establish stable policies, this has proved too long in a country like Argentina where the Alfonsín government lost control in the last two years of the term. Honduras in 1982 cut the term from six to four years. The next Chilean president will have four years against the current eight years for General Pinochet. On the other hand, four years with no consecutive re-election inhibits a good president from introducing far-reaching reforms, or tends to make him a prisoner of a party anxious to remain in power.

Latin American presidential systems were designed to prevent enrichment in office and ensure that incompetent presidents could not last for ever. However, this has not prevented leaders from treating state coffers as a spoils chest. This has been the case with the Lopez Portillo administration in Mexico, and those of Jorge Blanco in the Dominican Republic, Jaime Lusinchi in Venezuela and José Sarney in Brazil.

The clean sweep in the administration produced by a change of leadership – even when the new president comes from the same party – inevitably damages continuity. But the instability produced by these change-overs is compounded by the nearly universally accepted practice of using jobs in the bureaucracy as a source of patronage.

The plight of state organisations is made worse by armies of poorly paid and under-employed public servants who are easily corrupted, and a Kafkaesque network of regulations designed by the legalistic minds that dominate Latin American bureaucracies. These have been badly weakened by the upheavals of military rule and the return of civilian government. But budgetary constraints since the debt crisis have failed to prompt a rationalisation of bureaucracies, merely demoralised them.

Thus while the quality of technocratic expertise is constantly improving – and some is of the highest grade – the ability to implement even good policies is not. Only Chile, Colombia and Uruguay could claim to be competently administered all round, while Mexico is the sole country seriously trying to improve the quality of

Good intentions have foundered against powerful interest groups and been derailed by poor leadership

its public servants.

The principle of the separation of powers is only respected when convenient. As a result legal reform and the need for a strong judiciary have been ignored. A minority of dedicated judges and lawyers are in no position to challenge practices whereby the law is used above all to protect the state. Yet until the individual is seen to be given minimum protection from the arbitrariness of the state, the average citizen will never respect the law – or the government.

These negative aspects risk bringing serious discredit on the practice of democracy. This does not mean Latin America is about to turn the wheel full circle, back to military rule. But it will mean weaker government, exercising less authority over societies still divided by huge inequalities of wealth – and less able to recover from a decade of lost growth.

OBSERVER

Sports extra; ashes to ashes

■ It is true that the Financial Times does not write often about cricket. It would be nice to say that this omission is a matter of great debate in senior editorial circles – or some such pompous phrase – but this is, sadly, not the case. Most of my distinguished colleagues probably think that Gower is a broker, Border is a 1992 EC directive, and a late cut brings on the attentions of the fraud squad.

However the time has come to break this silence – with the request to those foreigners who will not understand a word of what follows to stick around because you'll get yours later. There are two reasons for this; the relative immunity, or anonymity, enjoyed by the author of these inches, guest or permanent; and second is the shocking news of the latest defeat by an innings of the England team by the Romanian 2nd XI (E Ceausescu captain), a loss not entirely excused by the dodgy Transylvanian pitch and umpires from the local secret police.

The great question is what is to be done and the answer consists of two words; Graeme Hick. The cool statistics show that he has scored more runs than any other player this year bar an imported South African, has the best bowling average of any spinner in the land save one, and has taken more catches than anyone else who does not wear gloves.

A mild slump at the bat earlier this year was undoubtedly attributable to the evil influence of I T Botham and to the fact that there is not much to do in Worcester to take the mind off the game, once visits to the cathedral, the sauce plant and the automated Yamazaki machine tool factory have been exhausted. He is now very much back on song. His failure in last week's televised NatWest match might concern some but it should be pointed out that Mr Hick was dismissed *while actually trying to smite the ball*, an endeavour unfamiliar to most members of the English team.

There is, of course, the technicality that he is not qualified to play for England until 1991. To which the answer is that if Ronald Reagan can get a knighthood and the new Japanese Prime Minister, not exactly a household world here or there, a lesser gong, anything is possible.

Dust to dust

■ In such an event, some have wondered if Japanese sumo wrestlers might be induced to get interested in cricket, largely on the grounds that they would so obscure the wicket that bowlers like Ackermann would become disoriented. It is an intriguing concept, which would give new meaning to the term bodyline bowling and which might necessitate a rewriting of the rules, with, for example, bbw (belly before wicket) becoming a new form of dismissal. However, there is doubt that sumitori would meet Lords' dress code.

A better import would be Mr Nolan Ryan, at 42 undoubtedly young enough to have a prolonged future in the English side. It is true that his bowling action would not qualify under the rules of cricket, but minor adjustments could be made, the point being that for the last 20 years he has thrown a baseball harder and faster than anyone in the sport's history. Any day now, he will make history by being the first player to strike out 5,000 batters in a career.

Honesty does require pointing out that Mr Ryan does not always succeed in throwing the ball past the enemy. He is inclined to be wild and sometimes flat and, in his career, has lost nearly as many games

as he has won. But even this would be a help to the English cricket team, which is still trying to win one game in ten.

At his pace, he would also do wonders for the cricket stump manufacturing industry, thus contributing to the Pakistani economy's revival.

If the whisky..

■ Cricketers these days complain a lot about the rough treatment they get at the hands of the press, much of which, they believe, is confected in the bar. What they seem to have forgotten is that there is a remedy for all this; and that is to perform better. In this respect there is another heartwarming example from across the ocean.

At the start of the baseball season, Mr Thomas Boswell, of the Washington Post, whose philosophical treatise, "How Life Imitates The World Series" is seminal reading, predicted with tongue only partly in cheek that the Baltimore Orioles stood a reasonable chance this year of being the worst team in the history of the game. They were very bad last year – losing their first 21 games – and seemed to have made matters irreparably worse by selling off all but one of their best players, getting apparently nothing in return.

It is therefore a source of amazement to all that as the baseball season enters its last quarter the Orioles lead their division. This is largely due to the influence of the team manager, Mr Frank Robinson, whose philosophy is refreshingly simple. The great advantage, he says, of running a side of youngsters and unknowns is never knowing when their next performance might be terrific.

..don't get you

■ It also helps to have a controlled press, than which no finer example has recently been seen than in the Morning Star last Friday. On the previous day, the Polish parliament had passed a motion condemning the Soviet invasion of Czechoslovakia in 1968 on the grounds that it had "retarded" the process of democratisation. No problems for the hardliners at the Star, which dutifully reported that the Soviet invasion had "restarted" democratisation in Czechoslovakia. This blithe disregard for reality could surely be put to good use in sports reporting.

The women must

■ Of course, as the Guardian so elegantly argued last week, the rules of the game can be changed to help the hapless. It suggested that England be allowed either more players or more innings. Picking up on a good idea, the FT women's cricket team, contemplating an awesome match against male colleagues next month, has negotiated that it can field 22 players. The men's counter-bid is to be opened this week.

Jurek Martin

Andrew Freeman reports on a noisy dispute between Eurobond houses

Battle over the market's future

The Eurobond market, which raises more private capital than any market outside the US, is facing one of the most difficult periods of its 25-year history. The freewheeling attitudes which made its spectacular growth possible now threaten its future.

Some straws in the wind:

● In April, the chairman of the International Primary Markets Association, a self-regulatory body which oversees the new issue business, made an extraordinary public statement requesting borrowers not to take advantage of internecine struggle between the banks which underwrite the business.

● Last week the US house, Morgan Stanley, launched a $500m Eurodollar bond for New Zealand. It used a new method of underwriting and distributing the bonds, arousing bitter debate with other banks about the way they do business with each other.

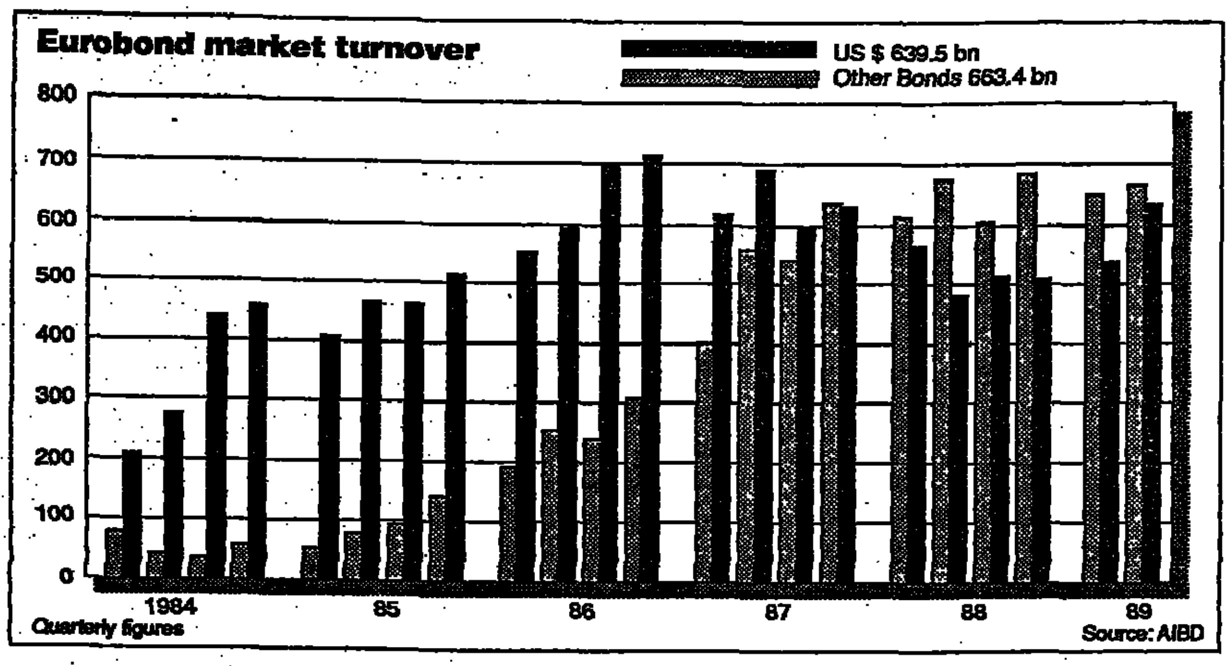
● *Today, Mr Hans-Jörg Rudloff*, chairman of Credit Suisse First Boston in London, plans to issue a statement to the borrowing community arguing that the very future of the Eurobond market is under threat. His statement, which sets out CSFB's own underwriting policy, implicitly criticises Morgan Stanley's approach.

It is easy to see why the banks are getting hot under the collar. After a decade of growth during which their profits flowed almost as fast as new entrants, over the last three years houses have suddenly found the business becoming unprofitable. Banks in the Eurobond market have had to compete with a growing range of products and instruments – including government bond futures, currency futures and funds linked to bond indexes – as the globalisation of financial markets has gathered pace.

On top of that, the Eurobond market faces cyclical economic disadvantages. The inverted yield curve which prevails in many bond markets gives short-term money market instruments higher yields than longer-maturity bonds, making them more attractive to investors.

The combination of these factors has led to widespread complaints from the banks that they are consistently losing money and that the business needs reorganising.

On the face of it, the Eurobond market seems prosperous enough. According to the Association of International Bond Dealers, more than $830bn of issues are outstanding and annual trading volume is running at well over $1,200bn. Indeed, Mr Rudloff of CSFB argues that, superficially, the market is healthier than ever. "There has been more than $200bn of issuance this year. Deals have never been more closely priced to demand. You could argue that the market has never been more perfect," he says.



It might appear, then, that the Euromarket has adapted to competition and change supremely well. Many borrowers plainly still find it a more attractive source of funds than the more heavily regulated domestic bond markets. The increase in the use of international foreign exchange and swap markets has simultaneously boosted demand among corporate treasurers for these flexible, often complicated, financing techniques and increased the Euromarket's ability to provide them.

Yet, beneath the surface, all is far from well. Despite often long-standing financial losses, banks have been unwilling to withdraw, precisely because such a large amount of business is involved. Most houses, trying to win market share, have subsidised borrowers, mainly through the inventive use of financial engineering (including interest-rate and currency swaps).

Lack of profit has fuelled intense competition among securities houses

The lack of profit has fuelled intense competition among securities houses large and small. As a result, corporate treasurers have been getting their funds cheap, while many banks have reported reduced profits or widespread losses. Quietly, many houses have reduced the staff they committed to the Eurobond market in its profitable years, but they would not dream of admitting a reduction in their overall commitment.

While little information is publicly available on the financial position of the leading banks involved in the Euromarket, their own admissions tell a tale of break-even at best and big losses at worst. Filings at Companies House show a sharp decline in the banks' overall profits.

For example, the latest of what is an unimpressive set of filings suggest that many houses are reporting either losses or bare break-even from the London subsidiaries which run their Eurobond business.

For the year to the end of December 1988, Deutsche Bank Capital Markets reported a pre-tax loss on its ordinary activities of £3.05m, after losses of £2.88m the year before.

Banque Paribas Capital markets reported 1988 pre-tax profits of just $1.3m. Morgan Stanley International's last filing was for the year 1987, when its after-tax profits from all operations fell by 57 per cent to $41.28m.

JP Morgan Securities reported $13m of after-tax losses for 1988, an improvement from its 1987 performance when it lost $68m. In 1987, Credit Suisse First Boston's pre-tax profits of £3.6m included an exceptional £2m gain from the closure of its old City premises. The same year, Swiss Bank Corporation International lost £27.6m before tax (though part of this loss came from its equities side).

Banks tolerate such poor performance because many are committed to the elusive idea of the multi-service international financial institution. The Eurobond business is a central element of that concept. By helping a corporate client raise cheap capital in the Eurobond market, a bank might gain the foothold that will give it access to much more profitable merger advice or foreign exchange services.

The conflict between the banks about the way new bond issues are underwritten and distributed thus has deeper roots. The banks are suffering an erosion of their capital, hoping that competition will contract as rivals pull out, leaving them with a clear passage to future profits. When they argue in public about underwriting, what they are really doing is jockeying for strategic positions in the market of the next decade.

Many of the banks are committed to the elusive idea of the multi-service international institution

Take Morgan Stanley's controversial issue for New Zealand which precipitated the row about underwriting. Morgan Stanley was accused by its competitors of breaking off talks with other banks about underwriting reforms and unilaterally going ahead with a $500m Eurodollar bond using underwriting techniques based on those used in the US domestic bond market.

Morgan Stanley has been one strong advocate of changes in market practices, but the New Zealand deal left it open to criticism. Arguably, the deal made sense to Morgan Stanley because it has relatively limited retail placement power in Europe. US-style techniques make it easier to separate the business of underwriting and lead-managing Eurobond deals from the business of trading and placing the bonds with end investors. If Morgan Stanley could make such an approach standard, it would be able to make profits by drumming up new issue business from its blue-chip client list, while relying on other banks to do the hard work of finding end purchasers. Looked at this way, it is little wonder rival banks are objecting.

Investors might wonder how an apparently arcane debate is relevant to them. For a start, if the houses adopt a piecemeal approach to underwriting, it will be more difficult for investors to be sure that they are paying a proper price for their bonds. Then there is the possibility that if there are too many withdrawals from the business, the liquidity of the market will suffer.

Dealing technology has transformed the secondary market in Eurobonds by making up-to-date prices more available to investors. But on the primary market, what should banks have to disclose about their new issues? In the wake of the Blue Arrow affair in the UK (in which an equity underwriter failed to disclose a large unplaced block of a rights issue) there is a growing feeling that lead managers of issues should have to disclose any unsold positions so that competitors know how much paper has been placed in the market and how much is still with the syndicate. That should encourage more informed trading.

Investors should also see through the implications of some of the arguments being put forward by the banks. From one perspective, behind-the-scenes discussions as leading houses try to standardise market practices smacks of a desire for a cartel under another name.

In reality, there are too many players with diverse and competing skills for that to be possible, just as there are too many vested interests for it to be likely that a single, uniform system of underwriting will emerge from the public debate.

In the end, then, the solution to the market's problems lies where the banks say it does – between themselves. Publicly, banks are fighting for the high ground of investor confidence. Privately, nearly all of them are still willing to subsidise deals for borrowers by writing generous swaps or bidding for business at what they know to be uneconomic levels. Arguments about underwriting procedures will doubtless continue; but as long as banks continue to fight each other so fiercely, they risk death by a thousand cuts.

LOMBARD

An Irish tale comes true

By Samuel Brittan

IRELAND HAS been celebrated by the bards for many qualities, but it is a novelty for sound money to appear on the list. Yet it certainly deserves to do so. For Ireland has emulated France in using the European Monetary System as a focus for policies to bring down the inflation rate. In Ireland as in France the annual rate of increase of consumer prices is below 4 per cent, much less than Britain's – irrespective of how the British rate is estimated.

The Irish achievement is all the more remarkable because the Irish pound was linked to the British pound in a very close currency union right up to 1979, when Ireland's accession to full EMS membership broke the union apart. Anyone who had then predicted that of the two pounds, the Irish one would be the more stable of the two would have been accused of telling an Irish jest. But like many another jest, it has come to embody a true story.

In fact Irish inflation has been at current rates or less for some years. But both Irish and outside commentators were understandably shy of celebrating the achievement. For the recession which hit most countries in the early 1980s was prolonged in Ireland until 1986, with output not merely stagnating but actually falling, while unemployment rose to well over 17 per cent of the labour force. Indeed the Irish experience was used as an object lesson by the opponents of a hard currency link as a way of tackling inflation.

Since 1987, however, there has been a change for the better in the real economy as well. Indeed the latest OECD Survey of Ireland is devoted to the "remarkable turnaround in both domestic and foreign confidence" in the country's economic prospects. A rapid decline in interest rates since 1987 and a substantial narrowing of differentials against the D-Mark are cited as further evidence. Indeed, the report is as near a celebration as the Paris-based, but essentially Anglo-Saxon-inspired organisation, is capable of producing.

Since 1987 Irish output has been rising at annual rates of 4 per cent or more. The unemployment rate began to fall in 1987 for the first time in eight years and is expected to carry on doing so. Even the current balance of payments has moved into surplus. So far from engaging in fiscal pump-priming, the Programme for National Recovery (PNR), inaugurated in 1987, and its successor plan of this year, have succeeded in slashing monster-sized budget deficits.

The OECD warns of remaining problems. Above all it would like the Government to reconsider its high level of subsidy and general involvement in industrial decisions – a path on which it has very tentatively embarked.

How has the Irish turnaround occurred? Real life rarely points ideologically one way. And the OECD pays tribute to the national consensus which has made real wage restraint possible under the PNR. It would be better if Ireland had not been handicapped by inheriting a British-style union movement. But given that it has, there is some gain in harnessing its leadership on the side of restraint.

The trigger for the improvement in Irish growth clearly came from external developments, in particular the rapid growth in the UK and the US, which are two major markets for Irish products. But without the recent policy reforms the external stimuli would have led to much more inflation and much less job creation than we have actually seen.

The more general moral is that a link with a hard currency bloc, in a country with many rigidities impeding market clearing wages and prices, can involve quite a long period of stagnation. But if it is persisted with until credibility is gained, there can then be a very rapid and unexpected turnaround in the real economy.

What both Ireland and France in their different ways confirm is that an exchange rate objective, so far from being a quick or easy fix, is one of the few ways in which a modern inflation-prone economy can take a sustained dose of monetary restraint.

LETTERS

Self-help in academe

From Mr Nicholas Stacey.

Sir, The debate over raising extra resources for universities and colleges to make good the shortfall has acted as a spur to review available options. Appeals to alumni, to the public, to corporations, running more summer courses and meetings and establishing science parks will doubtless raise new money for academic purposes – from *outside* the universities and colleges.

But perhaps there is a case for reappraising income from endowment funds which may help to raise fresh resources from *inside* academia.

I have in mind a review of the management of investments. Some endowment funds are efficiently managed; others may be less so. But at a time when Oxford, for instance, is asking for £200m, it would be reassuring to learn how well existing resources are being managed – that is, what is the return on moneys invested.

After all, there are well-known, sound, traditional ways to improve financial performance; educational institutions with funds under their belt should be encouraged to explore them. One way would be to ask investment management firms to offer presentations (a "beauty contest" every so often); another, for graduate business schools to hold seminars for bursars and other academics helping to make investment decisions.

Universities and colleges are in the public eye. The financial management of their funds is in sharp public focus at a time of self-confessed financial stringency. Information about their good husbandry would offer an incentive to potential donors of all kinds.

It would be interesting to learn how many college or university endowment funds have performed as well as or even better than the FT index.

Nicholas A.H. Stacey,
Reform Club,
Pall Mall, SW1

Business schools' intake

From Mr Adam Watson Brown.

Sir, Two years ago I applied unsuccessfully to study for an MBA: Professor Leavitt's criticisms of business schools (August 2) reflect my experience much more closely than the picture painted by Mr Philip Sadler of Ashridge Management College (August 14).

Neither the continental nor the British school I approached was interested in broadening the intake to include arts graduates like myself – only engineers and financial people, I concluded. In order to put themselves on a par with US business schools, both use the GMAT (graduate management admissions test).

This American multiple choice exam is split 50/50 between English comprehension and mathematics – the difficulty for arts graduates is the mathematics, which is American-style, and bears no relation to how the subject is taught in the UK. (The unwary can spend a lot on American books containing trial papers which claim to include authentic questions.)

So anyone who does not already have well-developed quantitative skills has to hurdle an exam plucked from another teaching system, and the risk-averse policies of business schools themselves. If business schools on the UK side of the Atlantic want to broaden their intake, they should stop using GMAT, or balance it better against other factors in the application. They also need to take more of an interest in helping candidates to prepare for admission tests.

Adam Watson Brown,
134 Sinclair Road, W14

Dr Arnold Hammer

From Mr Peter Carter-Ruck.

Sir, Your US editor states (August 16), in reporting that President Bush had pardoned Dr Hammer over a technical transgression relating to a donation to President Nixon's election campaign in 1976, that Dr Hammer had "finally found something to champion in the citadel of capitalism," leaving readers under the clear impression that until now he has neither supported the presidency of the US nor been a supporter of capitalism. Throughout his distinguished career he has always been, and has been well known to be, a long-standing and loyal supporter of both.

Peter F. Carter-Ruck,
Essex House, Strand, WC2

Grounds for optimism

From Mr Charles Abrams.

Sir, Stephen Sugar's article (August 10) on the adequacy of the City's regulation gives a rather misleading – and pessimistic impression – to your readers.

The improvements made by the Financial Services Act (FSA), which only came into force in April 1988, and the rules made under it, are substantial. Indeed, I think there will be further improvements once the simplified rule-book to be introduced by the Securities and Investments Board is implemented.

In my view, the new regime is changing for the better both the practice of investment firms and their attitude to compliance. The position is much more optimistic than Mr Sugar suggests.

Specific points arise:

● First and most important, the principal purpose of the FSA is not to provide rules against which economic activity can operate efficiently; it is to protect investors. I think there is already enough evidence to suggest (both from the actions already taken by the regulators, and by the concern and competence they have shown in a variety of ways) that it will be successful in achieving that objective. This is to the benefit not only of investors but, as most investment firms appreciate, the whole financial services industry.

● The County NatWest/Blue Arrow affair took place well before the FSA came into force, and before the role of compliance officers was given legal backing.

● The reason why section 47 of the FSA was ignored by the Department of Trade and Industry (DTI) inspectors is simple: the provisions were not actually in force at the relevant time. They are now and they would have covered any misleading advertisements put out by County NatWest or Phillips & Drew. (Indeed, section 13 of the Prevention of Fraud (Investments) Act, which was replaced by section 47, was in force, and may be relevant, although it was not as wide as section 47 is.)

● Although it is correct that section 62 (which provides a private right of action to investors for breaches of the rules causing them loss) is being amended, it is not fair to say that it is being "watered down." It will remove the right of action from professional investors, but the rights of private investors will remain unrestricted.

It is undecided whether professional investors will include "business investors" for this purpose, or whether they also will retain a right of action.

But in either case the SIB will be able to bring an action against investment firms which contravene section 47 and (which is novel) to recover the losses of persons who suffer loss as a result and distribute the sum awarded among them. This is therefore equivalent to a class action.

● The disclosure requirements which the DTI report found to have been contravened are imposed by the Companies Act rather than the FSA. The fact that they were contravened neither detracts from the efficacy of the FSA and its regulation nor indicates that the new regulatory regime is ineffective.

It is probable that the arrangements with Union Bank of Switzerland (UBS) did not avoid County NatWest's disclosure obligations. It seems arguable that, exactly because County NatWest retained an interest in the profits (if any) to be made by UBS when it sold the shares, County NatWest continued to have an interest in the shares while they were "parked" with UBS; that interest should have been disclosed.

Charles Abrams,
SJ Berwin & Co,
236 Grays Inn Road, WC1

RSVP

From Mr Rupert Wilson.

Sir, Would it be possible for someone to explain, please, what will happen when the UK economy has actually landed? I suppose it depends on whether it turns out to be a hard or a soft landing but, assuming the better outcome, can we all get off and go home?

Talk of eventual soft or hard landings seems to imply that there is some stable condition towards which we are flying, and that it just needs a bit of adroit aviation to get our feet firmly back on the ground.

Can anyone remember when we took off – or where from?

Rupert Wilson,
1 The Barn House, Shepley,
Huddersfield, West Yorkshire

FINANCIAL TIMES
Monday August 21 1989

Janet Bush on Wall Street

The losers' guide to investment

If there is one thing American business leaders and financiers are more obsessed with than making money, it is sport. It shows in the way sporting metaphors have crept insidiously into the way they talk about each other and their deals.

"He doesn't drop names, he slam dunks them" is one of the more unusual examples taken from the world of basketball. Baseball offers common ones such as "He was totally off-base" and "He stepped up to the plate and gave them hell." American football gives us elaborate variations such as "You just gotta pick up the ball and run with it to the 10."

Therapist/coaches are increasingly popular on Wall Street. The trained therapist is employed by corporate executives not to search the inner workings of their souls but, like a team coach, to give them pep talks and pump up their competitive aggression.

Mr Mark Hulbert, editor of The Hulbert Financial Digest, a publication which rates the performance of investment advisory newsletters, provides us with a fascinating theory of investing borrowed from the world of sport.

Writing in the American Association of Individual Investors Journal, Mr Hulbert concludes that investing is a loser's as opposed to winner's game.

Take tennis. In a winner's game, "you must take risks in hopes of delivering the ball just beyond the reach of your opponent: a failure to take such risks gives your opponent an excellent opportunity to make just such as winning shot against you."

The loser's game is the opposite: the player tries NOT to take risks and make mistakes, and so leave the opponent plenty of room to blunder his way to defeat.

"Once in a while he may hit a service you cannot possibly handle, but much more frequently he will double fault. Occasionally he may volley balls past you at the net, but more often than not they will sail far out of bounds. . . His game will be a routine catalogue of gaffes, goofs and grief."

To prove that investing is similarly a loser's game, Mr Hulbert has taken 56 newsletters which trade portfolios. He calculates what they would have made last year if they had stuck with what they recommended at the start of the year, and how they actually performed after a year of active trading.

The results are remarkable for they show that 65 per cent of the time those newsletter gurus would have been better off eschewing genius timing and cavalier risk-taking and doing nothing at all during the year. On average, the hypothetical "frozen portfolios" gained 4.9 per cent compared with 1.1 per cent for the same portfolios actively traded.

A more serious indictment of actively trading portfolios is that only six of the 56 actually beat the S & P 500's total return of 16.5 per cent in 1988, powerful justification for the enormous rise in the popularity of index or passive investing where your portfolio simply tracks a leading index.

You may be tempted to conclude that those colourful types who run investment newsletters are more skilled at self-promotion than investing. However, Mr Hulbert again provides us with some evidence to the contrary.

In Forbes magazine in June last year, he put together a table of mutual funds and newsletters and their performance over two up and two down markets from 1982 to 1987.

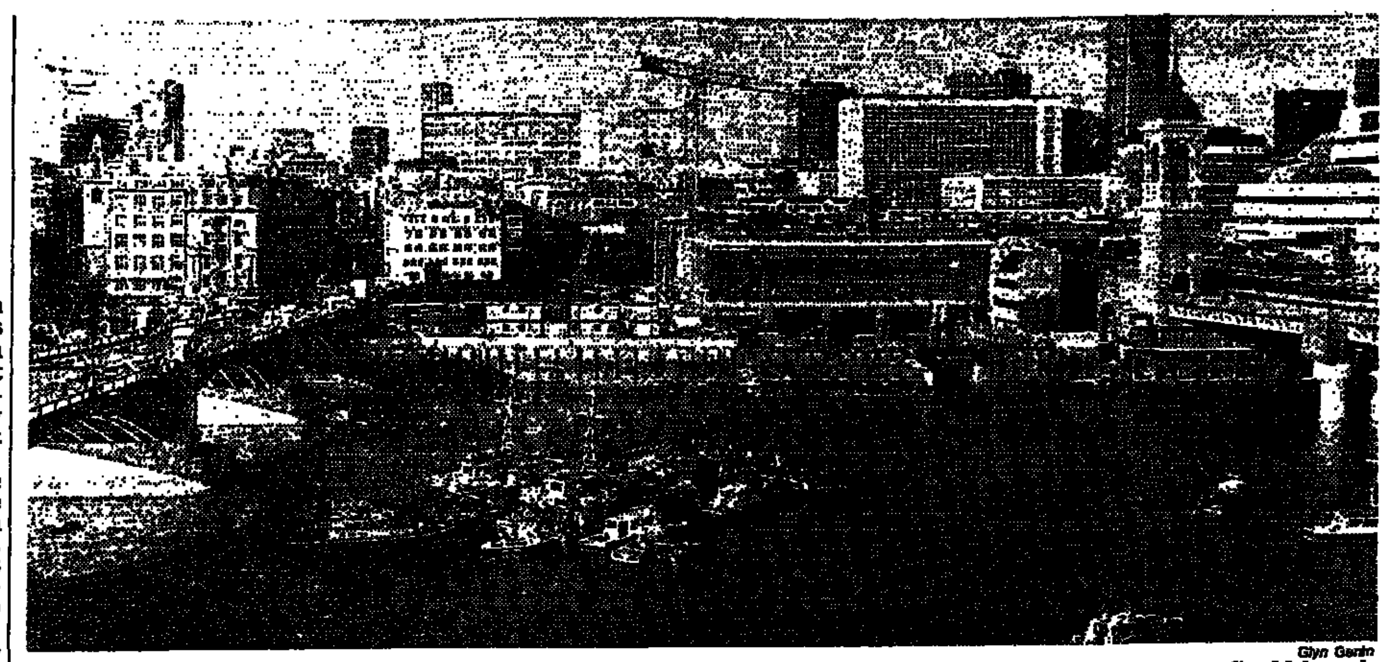
Investment letters did better overall than mutual funds. Top of the list was Dines Letter (Short Term Trading Portfolio) which achieved an annualised rate of return of 32.5 per cent.

Now look at Mr Hulbert's trading versus frozen comparison. Dines is one of the unluckiest investment letters. If Dines had stuck to his January, 1988, recommendation of putting everything into a money market fund, he would have made 6.5 per cent.

As it was, Dines defied his own commonsense and, with a lot of hard work and clever use of options, produced a loss of 45.9 per cent.

Why is it so difficult to play a winner's game in investing? According to Mr Hulbert, it is because of the unfortunate fact in the financial world, sport and life that you can do everything right and then ruin everything with one mistake.

Back to sport – this time golf. "You can make a beautiful drive off the tee and then miss a two inch putt. To achieve par, you have to make that putt."



Glyn Genin

Two barges hold up the recovered lower deck and hull of the Marchioness (on the right), the Thames pleasure craft which sank between London's Southwark and Cannon Street bridges after colliding with a sand dredger in the early hours of yesterday.

Activists openly defy Pretoria's ban

By Patti Waldmeir in Cape Town

SOUTH African anti-apartheid organisations yesterday openly defied government restrictions on their activities in a move which is likely further to heighten tension with the Pretoria Government.

Addressing a Cape Town cathedral, packed with nearly 2,000 anti-apartheid supporters, activists declared that they would refuse to accept restrictions on political activity imposed under South Africa's three-year state of emergency.

The St George's service replaced a rally which had earlier been banned and which had been due to take place at the Coloured University of the Western Cape.

Singing "liberation" songs and carrying banners of restricted organisations, protestors held a procession through St George's Anglican Cathedral and around its perimeter. The organisers of the cathedral service, which was conducted by Archbishop Desmond Tutu, obtained a court order preventing police from interfering either during the service or afterwards.

No such constraints were imposed on police in Johannesburg, however, where they blockaded the campus of the white University of the Witwatersrand, which was to have been the venue for a similar rally. Police beat protesters with batons and wooden clubs after about 200 demonstrators tried to defy a government ban on the rally.

Riot police armed with shotguns and semi-automatic rifles had earlier barred hundreds of activists from entering the campus to attend the rally in protest against the government's separate race laws.

On Saturday, police in the Western Cape had used whips and dogs to disperse protesters who attempted to picnic on whites-only beaches near Cape Town. Four blacks were injured when police fired birdshot at protesters boarding buses to attend beach rallies.

Archbishop Tutu, who addressed a buoyant crowd packed into Cape Town's largest cathedral, condemned the police action. "They used tear gas, dogs and whips to stop people walking on God's beaches."

Tension has been building steadily over the past week between the Government and the anti-apartheid opposition, with the banning of meetings and protests in addition to the arrest of the chief organiser of the current defiance campaign.

It was not clear yesterday how Pretoria would respond to the weekend challenge from restricted organisations.

● MR F. W. de Klerk, South Africa's acting State President, said last night that he hoped the general elections on September 6 would be the last in which blacks did not participate, but this would depend on the success of negotiations over a new constitution.

OAU seeks unified line, Page 4

Parliament may challenge Tehran Cabinet

By Kamran Fazel in Tehran and Victor Mallet in London

THE IRANIAN Parliament will this week scrutinise and possibly challenge the new Cabinet chosen on Saturday by President Ali Akbar Hashemi Rafsanjani to implement his plans for economic revival and improved foreign relations.

As expected, Mr Rafsanjani chose a 22-member Cabinet with a technocratic bias and dropped Hojatoleslam Ali Akbar Mohtashemi, the hard-line Interior Minister.

But he did so in the face of intense opposition from radical members of parliament. Of the 270 MPs, a majority of 138 had signed a letter urging the new President to keep Mr Mohtashemi, who helped to establish the Hizbollah organisation linked to hostage-taking in Lebanon.

A debate on the proposed Cabinet was delayed yesterday while the parliament discussed the fate of Mr Behzad Nabavi, the outgoing Heavy Industries Minister accused of involvement in a corruption scandal at a car manufacturing company. A motion to impeach him was defeated.

The Iranian media came out in support of Mr Rafsanjani's Cabinet choices over the weekend – 12 of the ministers are new and 10 are from the previous government – while Western leaders will be delighted at the decision to drop Mr Mohtashemi.

Mr Rafsanjani's choice to replace him as Interior Minister is Hojatoleslam Abdullah Nouri, one of four clerics in the suggested Cabinet.

Mr Nouri is regarded as an ally of Ayatollah Hossein Ali Montazeri who was forced to resign as designated successor to the late Ayatollah Khomeini because he criticised the excesses of the Islamic revolution.

The President also named new ministers for Economics and Finance, Industry, Heavy Industry, Mines and Metals, and Commerce, underlining his determination to get the Iranian economy moving after the eight-year Gulf war with Iraq.

The nominee for Economics and Finance is Mr Mohsen Nourbakhsh, a former central bank governor trained as an economist at the University of California.

New ministers were also chosen for the portfolios of Higher Education, Defence and Armed Forces Logistics, Health, Justice, Intelligence, and Labour and Social Affairs. Mr Rafsanjani retained Dr Ali Akbar Velayati at the Foreign Ministry and Mr Gholamreza Aqazadeh at the Oil Ministry.

Mr Mohtashemi was not the only hardliner to go. Mr Mohammad Reyshahri, Intelligence Minister, was replaced and Mr Mir Hossein Mousavi, who had his Prime Ministerial post abolished under a new constitution, did not receive a place in the Cabinet although he may yet be chosen as a Vice President.

Official statements in recent days have served to emphasise both Iran's need for economic progress and the difficulties of bringing it about.

Fragile truce in the Gulf War

Continued from Page 1

tivity.

While the state of no-war, no-peace continues, they have little chance of being released. Although some prisoners have been repatriated unilaterally by both sides as gestures of goodwill, their numbers represent a drop in the ocean.

Moreover, the outstanding grievances between the two countries could easily precipitate a flare-up of hostilities if allowed to fester indefinitely. Both are already re-arming, with a considerable portion of government spending allocated to defence-related industries and weapons procurement.

Iraq is seriously concerned by the recent agreement between Moscow and Tehran, which included a Soviet promise to assist with Iran's defence needs.

In turn, the Iraqis are scouring the world for potential foreign partners in defence joint ventures.

Given the apparent impasse in the peace talks, Western diplomats are concerned that the two belligerents might be tempted to wheel their rebuilt armouries into action three or four years hence.

Even sooner than that, potential flashpoints may arise. Iraq, for example, is now taking delivery of several Italian warships it originally purchased before the conflict and apparently intends to deploy them in the Gulf – which Iran might see as a provocation.

All four rounds of talks to date have run into the same logjam. Indeed, they can scarcely be termed negotiations at all because neither delegation has yet looked the other in the eye, let alone engaged in direct and substantive discussions.

Iran demands that Iraq comply with Resolution 598 by withdrawing its troops from the 1,000-plus square kilometres of Iranian soil they are still occupying before it will discuss anything else.

Iraq, for its part, is keen to use this territory as a bargaining chip in order to obtain Iranian assurances on freedom of navigation in the Gulf and an agreement to proceed with clearance of the disputed Shatt al-Arab waterway.

Underlying it all is the thorny question of sovereignty over the Shatt, which was one of the ostensible reasons why Iraq went to war in the first place and which tends to serve as a barometer of the relative strengths of the two countries.

Each side naturally blames the other for the impasse and the Iraqi side has made particular play of the divisions within the Iranian Government, which Baghdad says has prevented Tehran from adopting a coherent negotiating stance.

In a speech last month, President Hussein said Iran had chosen "to manoeuvre, be selective and play with words" instead of demonstrating "readiness to enter into real, serious and direct negotiations".

Although there are few grounds for optimism that the next round of talks will prove any more productive than its predecessors, the lapse of time has perhaps served to dampen the flames of national pride over some of the principal issues.

It is also possible that the Iranian line might take on a touch more flexibility following the death of Ayatollah Ruhollah Khomeini and the election of Hojatoleslam Ali Akbar Hashemi Rafsanjani as Executive President.

If so, it is not hard to see the outlines of an eventual trade-off between Iraqi withdrawal and Iranian agreement to clearance of the Shatt without prejudice to ultimate sovereignty over it.

Getting there, however, will probably take a good deal more patient diplomacy.

Cabinet suspicions, Page 16

Solidarity to decide on ministries

Continued from Page 1

unashamedly emotive service, however, were skewed by small but loud groups of young radicals, chanting slogans which accused Solidarity of betrayal through compromise. Mr Walesa, Mr Mazowiecki and Father Jankowsky all felt impelled to repulse the attack, showing that Solidarity, for all its new-found power, remains painfully vulnerable to the charge of selling out and possibly actually vulnerable to Communist charges of anarchy.

Mr Mazowiecki, repeating one of the slogans to defend himself, said: "I know you need bread more than a prime minister, but we must work together to get bread."

Later, he said he wanted to "arouse social initiative and to implement the market economy without loading the costs on to the people."

The two wings of the movement are now clearly meeting separately, marked as such by yesterday's meeting called to regulate the relationship between parliamentary and union organisations. Mr Jacek Ambroziak, the union's spokesman, said that Mr Mazowiecki was clearly seen to be responsible only to the Sejm, whose majority he needs to be confirmed in the post.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	31	88	Malta	S	32	90	Rhodes	S	30	86
Algiers	S	33	91	Edinburgh	F	19	66	Manchester	C	21	70	Rio de J'o	C	25	81
Amsterdam	S	27	81	Faro	S	28	82	Manila	R	32	90	Rome	S	31	88
Athens	S	34	93	Florence	S	32	90	Melbourne	C	12	54	Salzburg	S	26	79
Bahrain	S	37	99	Frankfurt	S	29	84	Mexico City	F	25	77	San Francisco	C	14	57
Bangkok	C	32	90	Funchal	S	26	79	Miami	F	27	81	Seoul	R	22	72
Barcelona	F	29	84	Geneva	S	29	84	Milan	S	29	84	Singapore	F	31	88
Beirut		–	–	Gibraltar	C	23	73	Montreal	C	18	64	Stockholm	F	19	66
Belfast	C	19	66	Glasgow	C	19	66	Moscow	F	19	66	Strasbourg	S	29	84
Belgrade	S	30	86	Guernsey	S	20	68	Munich	S	25	77	Sydney	S	18	64
Berlin	S	29	85	Helsinki	F	19	66	Nairobi	C	19	66	Taipei	F	35	95
Biarritz	S	23	73	H Kong	F	31	88	Naples	S	33	91	Tangier	F	31	88
Bombay	Dr	26	79	Innsbruck	S	26	79	Nassau	C	31	88	Tel Aviv	S	31	88
Bordeaux	F	26	79	Inverness	C	12	54	New Delhi	F	35	95	Tenerife	F	27	81
Brussels	S	29	84	Islamabad	F	33	92	New York	C	21	70	Tokyo	F	29	84
Budapest	F	27	81	Istanbul	S	27	81	Nice	S	30	86	Toronto	C	18	64
B Aires	F	19	66	Jakarta	C	33	91	Nicosia	S	30	86	Tunis	S	35	95
Cairo	S	34	93	Jersey	S	24	75	Oporto	S	24	75	Valencia	S	30	86
Cape Town	C	17	63	Jo'burg	S	21	70	Oslo	C	18	64	Venice	S	28	82
Caracas	R	28	82	Lima	C	18	64	Paris	S	27	81	Vienna	S	25	77
Casablanca	C	25	77	Lisbon	S	29	84	Peking	C	24	75	Warsaw	S	27	81
Chicago	S	22	72	London	S	25	77	Prague	S	27	81	Washington	F	22	72
Cologne	S	28	82	Los Angeles	C	17	63	Reykjavik	F	14	57	Zurich	S	26	79
Copenhagen	S	23	73	Luxembourg	S	26	79								
Corfu	S	35	95	Madrid	S	31	88								
Dallas		–	–	Majorca	S	31	88								
Dublin	C	21	70	Malaga	F	27	81								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Ford seeks 24-hour plants

Continued from Page 1

The Ford strategy, which also involves extensive automation and the introduction of further radical changes in working practices, marks a break with the traditional factory organisation which was once the company's hallmark.

Mr Caspers told union leaders: "Not only quality, but costs are benefitted by running machinery six or seven days a week and for 24 hours a day."

This extension of the production week will be accompanied by the introduction of a system of semi-autonomous groups of shop floor workers.

Production line work at Ford has traditionally been based on a strict division of labour, tightly supervised by foremen, as the lowest tier in a pyramid of management. This mass production system, dubbed Fordism, was developed before the Second World War and led to the reorganisation of production in several other manufacturing industries.

Mr Caspers' strategy marks a break with that tradition.

THE LEX COLUMN

The deceiving power of leverage

Strange things are going on in the world of corporate gearing. LWT proposes to borrow £100m and hand it to shareholders. Its shares jump by more than 10 per cent. Jefferson Smurfit aims to borrow $1bn and its shares go up 30 per cent. Sir Owen Green of BTR, a man never shy of gearing in the past, muses about really heavy leverage as a means of getting his share price up. It is all a long way from established academic theory, which says the market value of a company is quite unaffected by the proportion of debt to equity on its balance sheet.

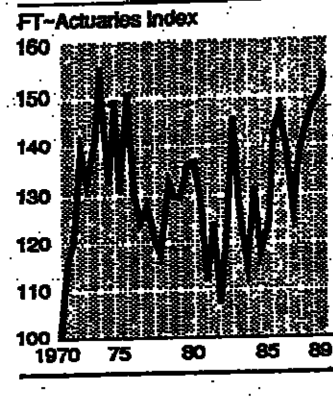
This theory – the famous Proposition 1 of Modigliani and Miller – is less odd than it sounds. If a company's return on capital is consistently higher than the cost of money, higher borrowings mean higher earnings for shareholders. But they also mean higher risk; so as earnings per share rise, the p/e tends to fall. In the right circumstances, tax relief on interest may give debt a slight edge; but that cannot account for the kind of share price rises going on at present.

Part of the answer may be a simple matter of supply and demand. Tales of the fabulous amounts earned through leverage in the US have been current in Britain for some time. Investors are not dumb enough to risk borrowing the money themselves, but may find it attractive to buy shares in highly borrowed companies, thus enjoying limited liability for the debt. If there are too few highly geared companies around to satisfy the demand, their shares will naturally rise.

The snag is that the supply is easily increased. Suppose BTR, for instance, were to borrow £5bn and buy up half its shares; the result might well be a rise in its share price. But suppose ICI and Unilever were then to follow suit; the result would ultimately be a glut of leveraged companies, and BTR's premium would disappear again. And with the ominous stories coming out of the US just lately about LBOs going wrong, it might be wise not to count on investor demand for leverage holding up either.

Brewers & Distillers

FT-Actuaries Index



Market records

As Wall Street prepares to celebrate the second anniversary of the 1987 bull market peak this week, collectors of stock market records can be forgiven for being rather confused. While it is almost a month since the broader US market indices broke through their previous all-time highs, the Dow Jones industrial average is still undecided whether now is the moment to attack the 2722.42 level set on August 25 1987. By contrast, the UK equivalent of the Dow – the FT-30 share index – hit a new peak more than a fortnight ago, while the broader FT All-Share and FTSE-100 indices are still over 3 per cent below their 1987 peaks.

Although bid speculation in the UK is the main reason why FT-30 constituents like Plessey and Cadbury Schweppes have done so well, the larger capitalised UK stocks have tended to outperform generally. By contrast, the recent rally on Wall Street has been far more broadly based. Indices with a heavier weighting of smaller US stocks, such as the Nasdaq composite and the Amex market value, are already nearly 4 per cent above their 1987 peaks.

There are also noticeable sectoral differences between the recent performances on either side of the Atlantic. Admittedly, there is not a lot to choose between Guinness, Cadbury Schweppes and BTR – the three best performing FT-30 stocks over the last two years – and Boeing, Philip Morris and Coca-Cola. Aside from Boeing, which is riding high on the back of the recent huge surge in aircraft orders, the others are mainly defensive consumer non-durable stocks.

Wall Street seems much more worried about the impact of the long-feared US recession on the big cyclical rust-belt stocks, like Navistar and Goodyear, than is the case in the UK where companies like BICC and GKN are between a fifth and a third higher than they were in 1987. However, industry generalisations can be dangerous. In the US, General Motors and International Paper, two cyclical stocks if ever there were, have outshone McDonalds, and Bethlehem Steel's 11 per cent rise since the last market peak is on a par with that of Merck and considerably better than that of American Express. In the UK, there are similar anomalies with companies like Glaxo and Marks & Spencer still around a fifth below their 1987 market peaks.

However, the similarities between London and Wall Street are far more gripping than the differences. The two markets peaked within six weeks of each other in 1987 and then each fell by 36 per cent; although it took London four months to complete its fall while Wall Street's collapse was concentrated into just two months. Since their nadir both markets have risen by a shade over 50 per cent. It would be a brave investor who thought this remarkable linkage is about to be broken just because one market hits a new record and the other does not immediately follow.

Drinks sector

It seems in keeping with this year's un-British summer that the UK drinks sector should be at an all-time peak relative to the market. But the reasons are more fundamental than the weather. First, the market is coming to terms with the scale of Lord Young's climbdown over brewing and the removal of a threat which had hung over the industry for three years. Second, it has observed the spectacular success of international wines and spirits this year, particularly Scotch whisky. Behind all that, there is the defensive character of a sector with relatively stable earnings in an economic downturn, combined with strong asset backing and cash flow.

The Scotch effect is naturally most pronounced with Guinness, which has outperformed the All-Share by more than a third so far this year. The old Distillers did much to wreck the US market for Scotch through heavy discounting; but Japan, where Scotch has still largely retained its premium status, was in June its biggest export market for the first time ever. For the bulls of the sector, this means whisky is being given a second chance.

There are grounds for caution over Scotch, ranging from the one-off effect of the Japanese tax change to the re-opening of distilleries in the Highlands. More generally, the brewers are more involved in restaurants and up-market drinks than they used to be, and are thus more exposed to the vagaries of discretionary spending. But in an industry going through its most dynamic phase for many decades, there must still be winners to go for.

SECTION III
FINANCIAL TIMES
SURVEY

Post-independence gains are being eroded by weak economic policies, and Government's reputation has been damaged by corruption, writes **Michael Holman.** But if peace talks in Mozambique succeed, defence costs can be cut and cheaper trade routes secured.

Disillusion sets in

The current of land-distribution may flow in favour of the country's black majority next year, when entrenched constitutional clauses can be amended

Fishermen on the Zambezi: Glyn Genin

ZIMBABWE

THE ROWS of weatherbeaten white faces listened attentively to the bulky figure on the platform, whom they had once denounced as a "terrorist".

At the 46th annual congress of Zimbabwe's Commercial Farmers' Union (CFU), held at a Harare hotel earlier this month, representatives of the country's 4,200-strong white farmers were being warned by Mr Joshua Nkomo, the greying veteran of black nationalism, *that they were back in the* political front line.

Once in the forefront of Rhodesia's guerrilla war, the farmers are now under increasing government pressure to release more land to meet the needs of independent Zimbabwe's 9m black population, growing at an annual rate of some 3 per cent. Nearly 10 years after Rhodesia became independent Zimbabwe in 1980, resolution of this sensitive and critical issue is one of the major challenges for the government of President Robert Mugabe, already burdened by growing unemployment, and whose authority has been undermined by a corruption scandal which reaches into the heart of the cabinet.

White farmers are accustomed to prominence and influence. They were the backbone of the Rhodesian Front (RF), the party launched in 1962 with a pledge to resist African majority rule. The unilateral declaration of independence (UDI) from Britain in 1965 by Mr Ian Smith, the RF leader, put the promise into effect. In the guerrilla war that gathered strength in the mid-1970s, and in which nearly 30,000 people were to die, many farmsteads were turned into fenced and armed strongholds. The farmers became part-time soldiers.

*As Mr Nkomo, a senior min*ister in President Robert Mugabe's government and leader of one the two nationalist parties that fought white rule, reminded his audience: at the heart of the conflict was the inequitable division of land; half the country, including most of the best farm land, was in the hands of 250,000 whites, the other half occupied by black Zimbabweans.

"This situation was morally unacceptable, economically unjustifiable and politically untenable," Mr Nkomo told his audience. He went on to warn that the 18 per cent of commercial (i.e. white) farmland purchased by government for resettlement by black families fell far short of what was needed.

Similar warnings have been voiced by Mr Mugabe. "It makes no sense of our liberation struggle that the majority of our peasant families have remained outcasts of our land tenure system," he told a recent rally. There have been hints that the "willing seller, willing buyer" system of land purchase may be reviewed when entrenched provisions in the British-drafted independence constitution run out next year.

But Government has han*dled the matter cautiously.* Reluctant to upset a sector which provides 35 per cent of the country's jobs and accounts for over 40 per cent of exports, it is considering a commission of inquiry. This would assess whether all commercial farmland "is effectively being utilised", and whether "the current farm sizes are the optimal sizes", said Mr Nkomo. The device gives the white farmers time to come up with proposals which could allow more land to be made available, while the Government can tell those demanding rapid action that they must await the commission's report.

Whether pragmatism can be sustained in the run-up to the congress of the ruling Zanu (PF) party and the 1990 general election remains to be seen.

The party's popularity has plunged since it secured 57 of the 80 black seats at stake in the 1980 election (Mr Nkomo's Zapu won 20 seats). A radical approach to the land problem could be seen as an easy way to recover support.

The reasons for the party's decline are several. Economic performance has fallen far short of expectations. There has been only a marginal increase in the number of jobs in the formal sector – from 985,000 in 1979 to about 1.1m. Although the informal sector (such as vegetable-hawking and streetside vendors) flourishes, job creation falls far short of demand. One of the Government's post-independence achievements – a massive expansion in education – has had mixed benefits.

Secondary-school leavers will rise from the 100,000 a year of the mid-80s to 300,000 a year in the 1990s. At the present rate of job-creation, unemployment will reach 3m by the turn of the century. Meanwhile, wage increases have been eroded by inflation. Income per head, in constant 1980 Zimbabwe dollars, has risen only modestly, from Z$438 in 1980 to an estimated Z$458 this year.

One of the most common complaints about living stan*dards is the deterioration of* public transport. An ageing bus and taxi fleet, chronically short of spare parts, cannot meet demand. Queues start to form by dawn, and the journey home for many city workers can take hours.

But the issue that has done most to damage the Government's standing is corruption. Earlier this year a commission of inquiry headed by Mr Justice Sandura accused five cabinet ministers and a provincial governor of profiteering from illegal car deals.

At first it seemed that the commission signalled Presi*dent Mugabe's determination* to crack down on corruption, which is starting to permeate government and business. But Mr Mugabe pardoned a junior minister, who had been sentenced to jail for giving false evidence to the commission. Shortly afterwards, the Attorney-General dropped charges of perjury and interfering with witnesses against 11 people, including two ex-ministers, who had resigned their portfolios in the wake of the commission's report.

Although the Sandura Commission is soon to release a second report on officials who *have made huge profits from* sales of vehicles obtained through political clout, most Zimbabweans are deeply sceptical about government's probity. The combination of disappointed economic expectations, and resentment provoked by the lifestyle of senior government and army officials, many of whom have acquired farms, homes and businesses beyond the reach of their salaries, has created a mood of profound disillusionment.

A cross-section of black Zimbabweans condemns the Government's performance with a passion which matches the condemnation of white rule during the UDI era. "We knew we would win the war against Ian Smith," says one veteran of the conflict, explaining his bitterness and frustration, "and we looked forward to independence. Now we've lost confidence in our leaders, and we don't know how they'll solve our problems."

Allocating blame for Zimbabwe's predicament is not straightforward. The land problem is not of government's making. Redressing the imbalances and inequities of a society in which wealth and business acumen was concentrated in white hands is a complex exercise. The war in Mozambique, where a rebel movement initially created by the Rhodesian Government was subsequently adopted by South Africa, has proved costly for Zimbabwe. Some 12,000 Zimbabwe troops are deployed across the border, keeping open road and rail routes to the port of Beira, and protecting a pipeline that brings in oil.

This factor, coupled with more general security problems posed by South Africa, has led to high defence spending, and in turn partly explains the Government's continuing failure to make a significant reduction in the budget deficit, forecast at 9 per cent of GDP in 1989-90. The Mozambique peace talks, now under way, hold out substantial benefits for Zimbabwe. If they succeed, defence

Continued on page 3

CONTENTS

Editorial production: Martin Davies

The price of a decade's missed opportunities

ZIMBABWE's first ten years of independence is increasingly seen, even by some within government itself, as a decade of missed opportunity.

Some of the disappointments of the 1980s were outside government's control – four drought seasons, depressed world commodity prices (until 1987), international recession, South African destabilisation and the dissident campaign in Matabeleland. But others have been self-inflicted.

When it was fighting the bush war in the 1970s, ZANU-PF committed itself to social and development programmes which the country simply cannot afford. Accordingly, it came as no surprise when, in his 1989 Independence Day address, President Mugabe

Dr Bernard Chidzero insists that reform cannot be rushed

openly acknowledged his administration's policy failures, promising a shift towards a more efficient, market-oriented economy.

There has, in other words, been movement down the learning curve; but, for a government that still espouses Marxist-Leninism as its long-term goal, the promised policy shift seems destined to be cautious and less than wholehearted, certainly over the next year when ministers will be preoccupied with the 1990 elections.

The urgent need for policy change is apparent throughout the economy. Since 1980, the Mugabe government has systematically extended and intensified the pervasive battery of state controls it inherited from the Smith administration. The government share in gross domestic product has risen from less than a quarter to more than a third; public spending has jumped from 32 per cent to 57 per cent of GDP, while the tax burden has more than doubled to reach 42 per cent of GDP this year.

Almost a fifth of GDP – more than double the sub-Saharan average – is devoted to public-sector pay, while interest charges approximate 8.5 per cent, which is comparable with the burden carried by highly-indebted Latin American countries. In the last five years, the budget deficit has averaged more than 10 per cent of GDP, while the public debt burden has doubled since 1980, currently standing at almost 80 per cent of GDP.

This situation is simply unsustainable over the medium-term, especially given the quadrupling of unemployment from 250,000 in the early 1980s to an estimated 1m last year, and stagnation in real incomes and average wages. Policies of direct controls (over wages, prices, imports, foreign payments, labour dismissals, and investment approvals) have inhibited investment and growth, with the result that more than 40 per cent of the 3.25 per cent annual growth since 1980 has emanated from the public sector – in education, public administration and health.

The president's April speech marked a watershed in the sense of public recognition that a new economic strategy was needed; but progress to date has been limited to the publication of the revised investment guidelines, a partial return to collective bargaining – within state-determined parameters – and some easing of price controls, though these fall far short of the greater flexibility and deregulation that businessmen are seeking.

Other promised policies yet to be unveiled include a phased programme of selective trade liberalisation and financial deregulation. The finance minister, Dr Bernard Chidzero, says he is developing a Zimbabwean-style structural adjustment programme, tailored to the needs of the economy rather than the dictates of the World Bank or IMF. But the initiatives taken so far are unlikely to impress donors and foreign investors, who will want to see concrete progress on three fronts – the budget deficit, import liberalisation and investment.

Although Dr Chidzero is projecting a reduced budget deficit in the 1989-90 fiscal year of Z$969m, or 9 per cent of GDP, the fiscal situation remains deeply worrying. Four items absorb some 56 per cent of the budget – education (19 per cent), debt-service (15 per cent), defence (13.5 per cent) and subsidies (9 per cent) – leaving little room for manoeuvre unless these politically-sensitive appropriations are cut.

An election year is an unlikely occasion for fiscal rigour, and in his 1989 budget the finance minister made no meaningful attempt to grapple with underlying problems, restricting himself to tinkering at the fringes with minor vote-catching tax concessions. Root-and-branch economic reform was conspicuously absent – no new measures to boost employment, to foster exports or encourage investment.

His projected deficit reduction will materialise only if there is strong revenue growth of 22 per cent, at a time when economic growth is slowing from 5.3 per cent in 1988 to a forecast 3.5 per cent this year, and if he is able to keep growth in government spending below the inflation rate which is likely to exceed 15 per cent.

The new Investment Centre, which opens its doors this month, is committed to giving an answer to new project applications within 90 days – recognition of the degree to which capital spending has been undermined by the lengthy bureaucratic procedures that applied previously. Since 1980, investment has averaged only 16.5 per cent of GDP; and since 1986, when the ratio fell to only 13 per cent, Zimbabwe has not been investing enough to maintain its existing capital stock intact, let alone create new productive capacity. It is estimated that to grow at the development-plan target rate of 5 per cent a year, the economy needs to invest 25 per cent of GDP and, on 1989 figures, a shift of the order of Z$1bn into investment is necessary.

There are four obvious constraints on investment. First, and most pressing, inadequate access to foreign exchange: an investment project typically has a 40 per cent foreign currency content, and the $1bn increase in investment would require an extra $400m of import capacity – equivalent to a 20 per cent rise in imports.

Second, while domestic savings are adequate to finance existing (depressed) levels of investment, they would need to increase if the necessary higher levels of investment were to funded from within. Clearly, one way of closing both the savings and foreign exchange gaps would be from increased foreign investment inflows; and the recent announcement that the Japanese vehicle manufacturer Mazda is to invest US$2.5m in Zimbabwe's state-owned Willowvale Motor Industries, giving it a 25 per cent stake in the enterprise is a welcome step in this direction.

Many believe that the rate of return on investment simply isn't adequate in a relatively high-risk environment. In recent years, the return on capital employed has averaged 14 per cent after tax – only marginally above the 12 per cent to 13 per cent obtained in the UK. For the foreign investor, the restriction on dividend remittances to either 25 per cent or 50 per cent of after-tax profits, less 20 per cent non-resident shareholder tax, is an additional snag.

The fourth constraint on investment has been the oppressive regulatory environment, which is where Mr Richard Wilde, deputy governor of the Reserve Bank of Zimbabwe and temporary director of the Investment Centre, comes in. His task is to promote investment, shepherding new projects through the bureaucratic maize – a task made no easier by last month's revamped price-control regulations, which seem likely to deter rather than encourage new projects.

A further difficulty is that of sequencing. It is hard to see investment coming right without commensurate progress, both in reducing the budget deficit and liberalising imports. On the surface the balance of payments position looks healthy enough. Zimbabwe has been in current account surplus for the last three years – a massive improvement on the deficit that averaged Z$475m annually in the early 1980s – while the overall balance has averaged Z$170m a year since 1984.

This has been achieved despite being a net exporter of capital (when IMF repayments are taken into account) over the last three years. But it has been achieved only by rigorous import and exchange controls that have stifled domestic expansion and, more particularly, investment.

Imports, at SDR824m in 1988, were 30 per cent below their 1980-82 levels; and, while exports have expanded handsomely in Zimbabwe dollar terms, partly reflecting a sound exchange rate policy aimed at maintaining international competitiveness, when calculated in SDRs, they too fall below their 1980-81 levels.

Import compression has had one important positive result – a reduction in the debt-service ratio from 35 per cent of exports in 1987 to 27 per cent last year; and it will decline further to 20 per cent in the next few years before levelling out.

Trade liberalisation, currently under review, is designed both to improve the efficiency of the existing import allocation system which, in its essentials, goes back 25 years, but also – and probably more importantly – to achieve the quantum improvement in import capacity that is necessary if Zimbabwe is to expand rapidly enough to halt the growth of unemployment.

After a good year in 1988, when growth was boosted by excellent rains and buoyant commodity prices on world markets, the economy is slowing down as capacity constraints in transport, energy, construction – and skills – start to bite.

Inflation, which has averaged 13 per cent since 1980, is set to move sharply higher to around 20 per cent as the authorities seek to index their way out of their unsuccessful incomes policies; and as inflation increases, so the pace of exchange rate depreciation of 6 per cent a year will accelerate.

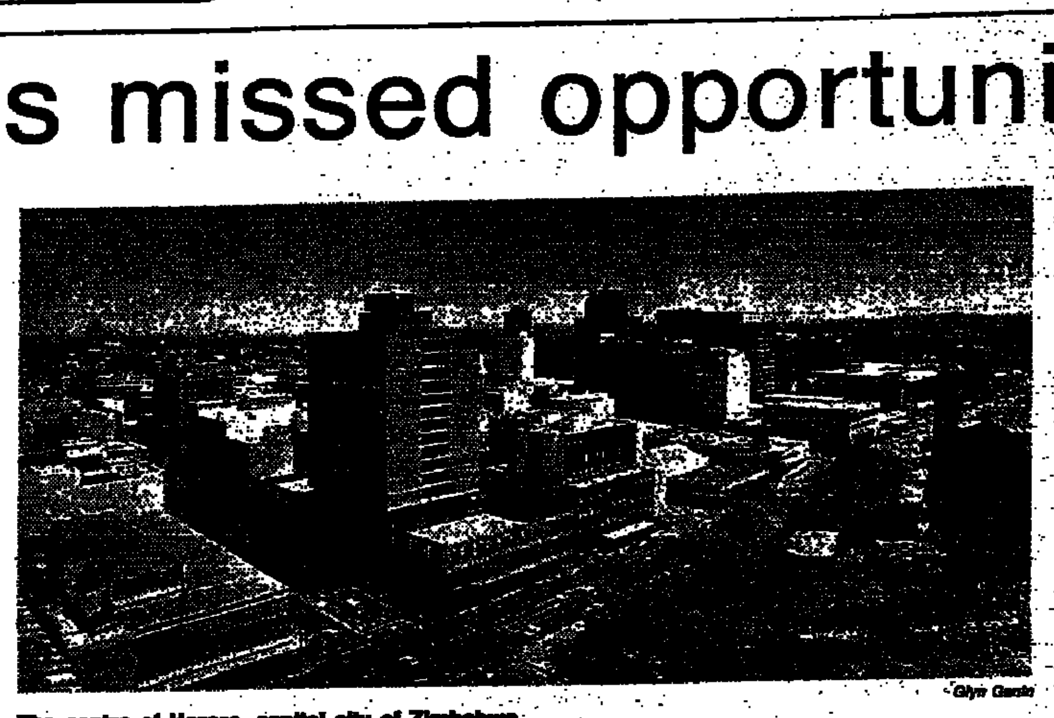
Sooner or later – but probably not until after the 1990 elections – the authorities will have to tighten their monetary stance, in order to curb inflation, resulting in significantly higher interest rates which, at present, are negative in real terms.

With the number of secondary school-leavers estimated to rise from 100 000 annually in the mid-1980s to 300 000 a year in the 1990s, while new job generation is running at only 20,000 a year, the unemployment outlook is bleak. On present form, the number of unemployed will top 2m by 1995, reaching 3m by the turn of the century.

Against this background of a rapidly-worsening unemployment situation, the Government's reluctance – or inability – to accelerate the reform programme seems likely to exacerbate the situation. It is clear that not only is there political resistance to the dilution of socialist ideology, but a lack of capacity within the administration to take and implement bold new policies – vividly illustrated by the bungling of price-control reform.

Dr Chidzero insists that economic reform cannot be rushed, while other ministers, with their eyes on next year's elections, are anxious to delay vote-losing structural adjustment measures. But while gradualism may have been appropriate five years ago, today it is a high risk strategy that could turn sour all too easily.

It came as no surprise when President Mugabe, in his Independence Day address this year, acknowledged his administration's economic failures. Tony Hawkins considers the prospects for the new strategy, at a time when ministers will be preoccupied with the 1990 elections

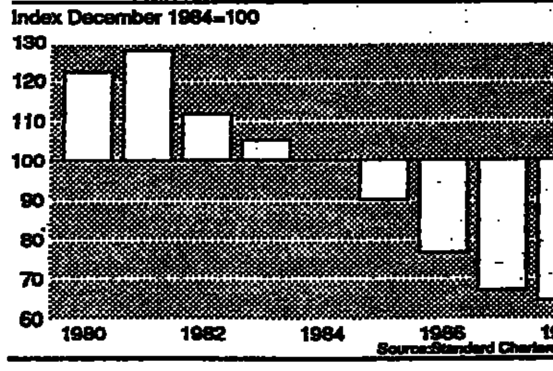


Glyn Genin

The centre of Harare, capital city of Zimbabwe

Trade-weighted exchange rate

Index December 1984=100



Source: Standard Chartered Bank, Harare

Income per head

	Constant Z$ (1980)
1974	516
1979	410
1980	438
1981	470
1982	470
1983	445
1984	440
1985	465
1986	460
1987	445
1988	455
1989*	458

* forecast

Source: Central Statistical Office

BALANCE OF PAYMENTS: Z$m

	1989*	1988	1987	1986
Exports	3,300	2,863	2,416	2,206
Imports	2,550	2,155	1,782	1,686
Trade balance	750	708	634	520
Invisibles (net)	-780	-691	-506	-507
Current Account (net)	- 30	17	128	13
Capital (net)†	na	163	107	60
Overall balance	na	180	235	73

* forecast † excluding IMF repayments

Source: Reserve Bank of Zimbabwe and estimates

KEY FACTS

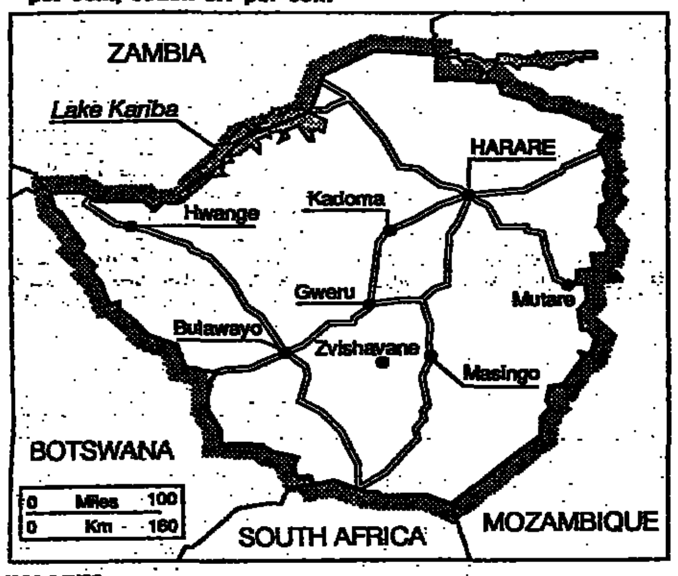
Area	390,759 sq km
President	Robert Mugabe
Population	8,640,000
Crude birth rate (per '000)	55 (1965); 44 (1987)
Crude death rate (per '000)	17 (1965) 11 (1987)
Urban population as % of total	14 (1965); 26 (1987)
Average annual growth rate of population	3.7 per cent (1980-87) [South Africa 2.3 per cent (1980-87)]

■ President Mugabe, addressing the Royal Commonwealth Society, in January this year

GNP growth rate (provisional)	6.5 per cent
Average annual GNP growth rate	(1980-87) 2.4 per cent
GNP per capita	US$580 [S Africa $1,890; Zambia $250]
Inflation (Jan-Oct 1988)	8 per cent
Average rate of inflation (1980-87)	12.4 per cent
Currency	100 cents = 1 Zimbabwe dollar (Z$)
Average annual exchange rate	US$1 = Z$1.802; £1 = Z$3.210
Exchange rate at August 8 1989	US$1 = Z$2.151; £1 = Z$3.457

EXPORTS:

Merchandise exports	US$1,428m (1987)
Average annual growth rate of exports:	3.4 per cent (1965-80); 0.9 per cent (1980-87)
Trend in structure of exports:	
Fuels, minerals, metals	45 per cent (1965); 17 per cent (1987)
Other primary commodities	40 per cent (1965); 43 per cent (1987)
Manufactures	16 per cent (1965); 40 per cent (1987)
Principal exports:	Gold 18.5 per cent; tobacco 17.9 per cent; ferro-alloys 10.5 per cent; cotton 5.1 per cent



IMPORTS:

Merchandise imports	US$1,209m (1987)
Average annual growth of imports:	-1.8 per cent (1965-80); -8.8 per cent (1980-87)
Principal imports:	Machinery and transport equipment 31.7 per cent; manufactures 20 per cent; chemicals 15.5 per cent; petroleum products and electricity 11.9 per cent
Reserves, excluding gold	US$178.8m
Total stock of debt	US$2,512m (1987)
Debt service ratio	23.2 per cent
Debt/GDP ratio	44.44 per cent

POLITICS: there are problems at home, but hopes of peace in Mozambique, as . . .

Tough bargaining follows the merger

When it opened this summer, President Mugabe said the two-chamber parliament would become a single chamber in 1990

PRESIDENT Robert Mugabe has never made any secret of his preference for a one-party state — an objective brought closer in December 1987, when the ruling Zanu (PF) party and Mr Joshua Nkomo's Zapu (PF) agreed to merge. But, some 20 months later, the practicalities of integrating the two parties at the grass roots are proving difficult.

Much of the rivalry, which goes back to the split in the nationalist movement in 1963, has eased since the pact was signed. Mr Nkomo, the veteran Zapu leader, was brought back into the cabinet as a senior minister. But the bargaining for office, at middle and lower ranks in particular, is proving tough and complex. Until this process is completed, however, Zanu's congress cannot take place, for the policies it adopts — and the all-powerful politburo it elects — will be determined by delegates sent by the newly-constituted party.

President Mugabe can nevertheless point to one major benefit of integration. The unity pact — and the accompanying amnesty — persuaded armed Zapu dissidents in the party's stronghold of Matabeleland to end a sporadic campaign of banditry and killing.

Apart from bringing peace to Matabeleland, the pact has helped stimulate debate. Zanu members feel freed from charges of disloyalty; Zapu supporters are no longer fearful of being labelled "dissidents".

Ironically for Mr Mugabe, this development has helped to bring to the forefront an issue which has sapped the morale of Zanu: the corruption exposed by the recent Sandura Commission of Inquiry into motor-vehicle sales — and government's weak response to its findings.

The popularity of Mr Edgar Tekere, the former Zanu MP who launched the Zimbabwe Unity Movement last April, owes much to his denunciations of corruption, and the discussion they have prompted. Mr Tekere, acquitted on a technicality after his involvement in the murder of a white farmer in 1980, has had a chequered career.

But he (and Bulawayo's Chronicle newspaper, whose investigations led to the establishment of the Sandura commission) was vindicated when five ministers and a provincial governor resigned after Mr Justice Sandura had charged them with profiteering from the resale of locally-assembled vehicles acquired through political influence.

At first it seemed that a crack-down on corruption had begun. But President Mugabe pardoned Mr Fred Shava, a former junior minister involved in the scandal and who was subsequently convicted and sentenced to jail for perjury and interfering with witnesses. The following week the Attorney-General dropped charges of perjury and subornation against 11 people, including Mr Enos Nkala, former defence minister; Mr Dzingai Mutumbuka, ex-higher education minister; and Mr Jacob Mudenda, former governor of Matabeleland North province.

The net result has been most damaging to Mr Mugabe and his party. The Sandura report proved what most Zimbabweans suspected about corruption; the subsequent developments have tended to confirm their fears: that President Mugabe may be unable to put the Government's house in order.

Within the ranks of Zanu members of widely differing backgrounds there is shared concern about the party's shortcomings. They hope that it may be possible — with the backing of like-minded members of Zapu — to set aside regional differences and marshal support in the run-up to congress for what they call a reformist, anti-corruption platform, and to be able to present the president with a slate of honest and competent delegates at congress. These delegates would then either form, or select, a core of suitable candidates for the parliament elected at next year's poll.

Political veterans in Zimbabwe believe this may be wishful thinking. Current members of the party's central committee, politburo and cabinet exercise considerable power and patronage, and will be difficult to dislodge. Further, ethnic and regional loyalties may override other concerns. Any assessment of the political scene in Zimbabwe must take into account the clan allegiances within the country's Shona majority. Among the factors influencing decision-making are rivalries and alliances within and between the Shona sub-groups: Karanga (about 22 per cent of the population), Zezuru (18 per cent), Manyika (13 per cent), Kore-Kore (12 per cent), Rozwi (9 per cent) and Ndau (3 per cent).

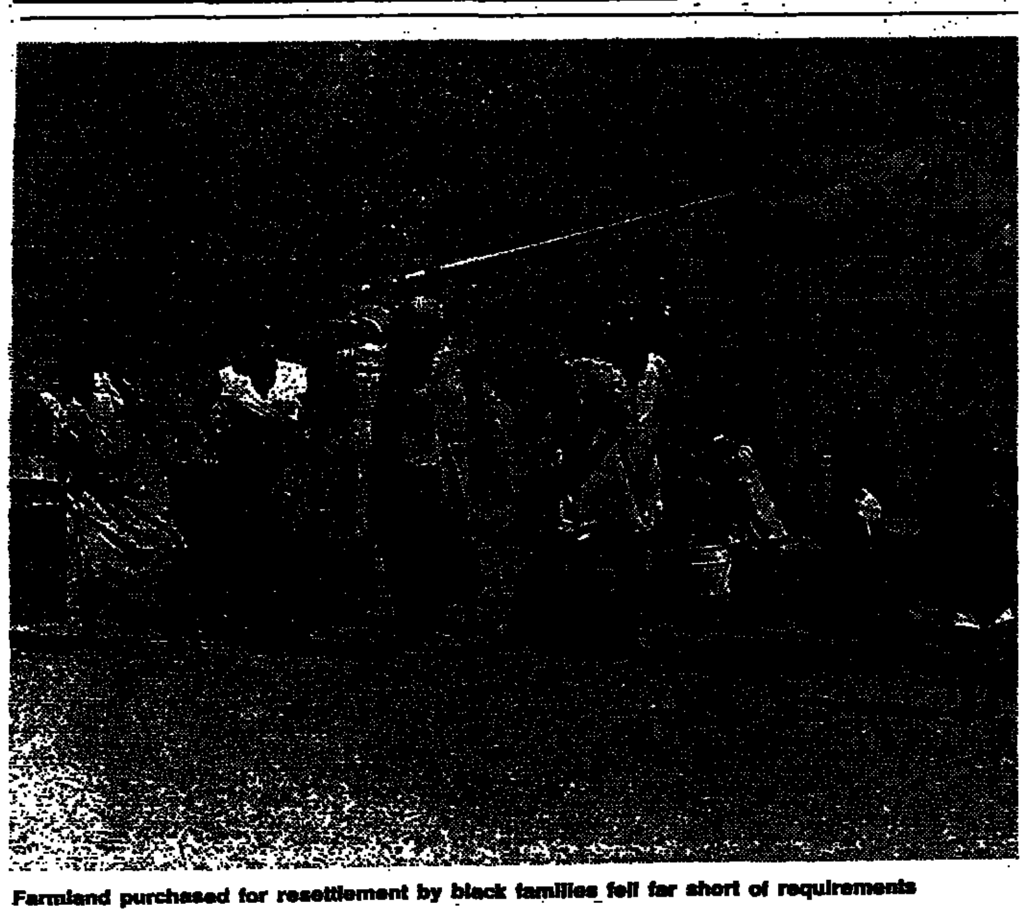
Party members themselves acknowledge that regional loyalties can sometimes override political and ideological differences, and this factor may prove a major obstacle to reformers in the party.

While problems on the domestic front are proving demanding for Mr Mugabe, one critical foreign affairs issue offers some relief. The President, together with President Daniel arap Moi of Kenya, is mediating in efforts to end the conflict in neighbouring Mozambique between the government and the Renamo rebel movement. South Africa's apparent willingness to finally honour a 1984 non-aggression pact with Mozambique and end its support for the rebels has raised hopes that peace may be in sight.

The benefits for Zimbabwe are enormous. President Mugabe will be able to end the costly deployment of some 10,000-12,000 troops who protect the road, rail and oil pipeline corridor to the port of Beira. And if Mozambique ports can then recover their traditional role as Zimbabwe's cheapest route to the sea, significant savings in transport costs are also possible. Whether this development significantly affects relations with South Africa, Zimbabwe's main trading partner, remains to be seen. Mr Mugabe remains sceptical about Pretoria's commitment to reform.

Although existing trade links will continue, it seems unlikely that Zimbabwe will test this commitment by responding to South African proposals for an integrated power grid for the region, for example, exploiting Zimbabwe's coal reserves and making greater use of power from the Cahora Bassa dam in Mozambique.

Michael Holman



Farmland purchased for resettlement by black families fell far short of requirements

Disillusion has set in

Continued from page 1

spending could be cut and access to Mozambican ports — a cheaper trade route than South Africa — would be secure.

On the credit side of the Government's performance is its magnanimous treatment of the white community, the pragmatic approach adopted so far to the commercial farmers, and the tremendous strides in health and education. But these achievements are in danger of being outweighed by a host of concerns. Economically it has also been a decade of missed opportunity. Government has failed to create a climate for foreign investment — there has been net disinvestment since 1980 — and the new incentives announced earlier this year are unlikely to reverse the flow.

Despite the painful experience of other African states which sought to increase the government's role in the economy — and are now reversing this policy — Zimbabwe has increased the administration's holdings. The bureaucratic battery of state controls have been increased, rather than pruned. Trade liberalisation has proceeded at a tortuous pace. Donors complain about lengthy delays in the handling of aid projects. The long-term economic objectives of Mr Mugabe still seem uncertain. Ostensible commitment to economic reform, voiced by Mr Bernard Chidzero, the finance minister, is offset by some leading officials and ministers, such as Dr Herbert Ushewokunze's description of a recent Zanu (PF) by-election success as a victory for socialism against international capitalism.

On other fronts, there are also grounds for concern. The Government seems determined to underplay the threat of AIDS, concealing or suppressing information about the incidence of the syndrome. But snippets of information that emerge suggest that AIDS is increasing at a far greater rate than government is prepared to acknowledge.

Few observers believe that Zanu, for all the problems, is in danger of losing its dominance of Zimbabwe's affairs. Mr Edgar Tekere, the popular party defector who launched his Zimbabwe Unity Movement last April, is a symbol of discontent but is not seen as an alternative to government intolerant of opposition and with considerable powers of patronage.

Mr Nkomo and his Zapu party, absorbed into Zanu in a unity agreement signed in December 1987, show no sign of having second thoughts. The consolidation of a *de facto* one-party state seems set to continue. But an anticipated low turnout in the 1990 poll will reflect the fact that Zanu have left many of its followers disillusioned and disappointed.

The revamped policy may raise the investment ratio, says **Tony Hawkins**, but foreign capital will remain scarce

Revised guidelines fall short of requirements

ZIMBABWE's Investment Centre, its one-stop investment agency, opened its doors for business earlier this month amid hopes that it would revitalise the country's tarnished foreign investment image.

Since 1980, there has a net outflow of long-term private capital, with disinvestment in 1987-8 estimated at more than US$100m. This is partly the consequence of government policy, aimed at increasing domestic ownership of the capital stock – it has purchased equity control of several major industrial enterprises, including groups that were formerly South African-owned such as Astra Holdings, Delta Corporation and Hunyani Holdings. But it is also the result of minimal inflows of new foreign direct investment.

The Investment Centre, established in response to criticisms of bureaucratic delays in approving investment proposals, is a product of the revised investment guidelines published in May. These also eased the regulations concerning foreign ownership, permitting higher levels of foreign control for limited periods, and providing for higher levels of dividend remitability in exceptional cases.

Investment

(as % of GDP)	
1980	16
1981	20
1982	22
1983	22
1984	18
1985	13
1986	13
1987	13
1988*	13

* estimate
Source: Central Statistical office, Harare

While the new proposals were generally well received, the consensus view is that they fail to go far enough to attract significant new inflows of foreign capital – except, possibly, in primary products such as gold, platinum and possibly oil, depending on the outcome to the current exploration for oil in the Zambesi valley.

The constraints on investment stretch well beyond the regulatory environment. Most serious is the shortage of foreign exchange. It is estimated that every Z$100m of new investment requires an initial injection of at least Z$40m of foreign exchange and ongoing currency allocations thereafter for fuel vehicles, spares, and raw materials.

Not far behind, in the view of many investors, is the remitted rate of return on capital.

The constraints go beyond the regulatory environment

Foreign companies that invested prior to September 1979 (the start of the Lancaster House Independence Conference) are allowed to remit only 25 per cent of after-tax earnings, while so-called new investors that have come in since 1979 can remit half their after-tax earnings. When the 25 per cent ceiling is linked with an after-tax return on equity averaging 14 per cent, it means that foreign shareholders are receiving 3.5 per cent on their funds, or 7 per cent in the case of the newer investors.

Despite this, the World Bank, in a recent study of investment in Zimbabwe, concludes that the rate of return is not a major constraint on investment. It places the blame instead on the foreign-exchange bottleneck and the regulatory environment.

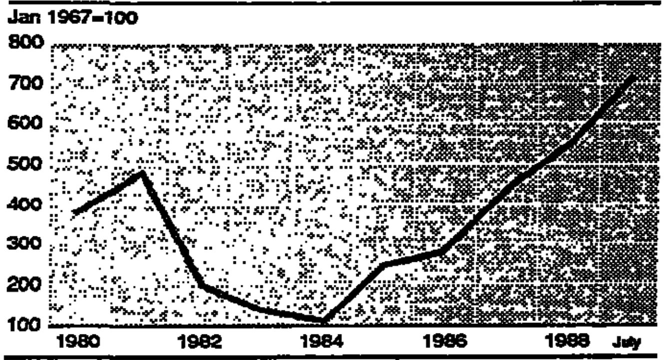
Price controls are also a deterrent to new investment in manufacturing capacity, and the new regulations announced in mid-year came as a bitter disappointment after repeated promises of liberalisation. The new regime is not only bewilderingly complicated and confusing, but reduces permitted mark-ups in many instances and limits price adjustments to a maximum of 5 per cent once a year. Most disappointing of all, industrialists say, the controls, far from being liberalised, have in some instances been tightened.

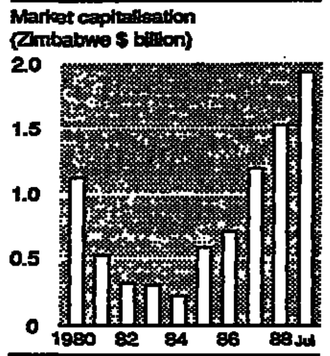
On the financing side, new regulations on the reinvestment of surplus and blocked funds have been introduced. In the case of blocked funds, currently valued at some Z$736m, it is now possible for these to be traded at a discount – Zimbabwe's version of debt-equity swaps. This means that the holder of blocked funds, rather than waiting until maturity to get his foreign exchange paid abroad, may sell them to an investor who has the foreign exchange and who wishes to reinvest, at a discount, in Zimbabwe.

The surplus fund proposal has proved to be something of a damp squib. The intention is to convert so-called surplus funds – retained earnings of foreign-owned firms that have not been invested in blocked accounts – into 7 per cent government stock that would then be on-lent at low interest rates to small and medium-sized enterprises. But very few foreign firms have shown any interest in the proposal, which is unlikely to have much impact in its present form.

Price controls also deter investment in manufacturing plant

The revamped investment policy is expected to raise Zimbabwe's investment ratio from the current 12 per cent of gross domestic product to between 15 and 20 per cent in the 1990s, but large inflows of foreign capital are unlikely to materialise, given Africa's unpopularity with the international investment community. New foreign capital is more likely to be attracted by faster economic growth in Zimbabwe and the improved profitability of domestic firms than changed investment policies.





CAPITAL MARKETS

Few alternatives to the bull run

INVESTORS on the Zimbabwe Stock Exchange are reaping handsome rewards as the prolonged bull market goes into its sixth year.

After plunging to a 17-year low in mid-1984, industrial share prices broke new ground early last year, exceeding the previous peak of 487 reached at the height of the post-independence boom in 1981. The market spent much of 1988 in a consolidation phase, before surging ahead at the year-end to break the 700 level in mid-1989 a rise of 40 per cent.

There are three main explanations for this: first the scarcity of investment opportunities in an excessively liquid capital market. The main alternatives to equity investment are government stock, on which yields for most of the post-independence period have been negative in real terms; and property, whose attraction as an investment has been undermined by rent controls.

Second, strong profit and dividend growth have boosted share prices. Pre-tax profits of 44 listed industrial companies doubled between 1985 and 1988, increasing 50 per cent in constant dollar terms. Over the same period dividends went up 120 per cent, or almost 60 per cent when adjusted for inflation.

The market, of some 54 quoted companies, which was capitalised at Z$934m at independence in 1980 is currently valued at almost Z$1.95bn; though in US dollar terms, at US$920m, it has declined nearly 40 per cent. Indeed, this is the third reason for the market's strength: share prices have been rising to reflect the inflationary revaluation – in local currency terms – of real assets.

The average dividend yield on industrials of 6.8 per cent – before the 20 per cent shareholders' withholding tax – is hardly attractive, given an average inflation rate of more than 13 per cent. But, as is always the case, timing is crucial. Anyone who bought into industrials in 1985 has enjoyed an average return in the region of 50 per cent a year, the bulk of which has been capital appreciation.

Institutional investors have played the dominant role in driving prices up. Zimbabwe has a very high ratio of insurance assets to gross domestic product, estimated at more than 20 per cent in 1985 which is substantially above that for other countries with emergent capital markets (including Brazil, Chile, India, Korea, Taiwan and Nigeria). Indeed, the Zimbabwe ratio is even higher than that in France and Singapore, and not far behind Australia, which gives it a capacity to supply long-term capital to both the private and public sectors.

Unfortunately, while a substantial volume of institutional money has been invested through the secondary market in quoted equities, very little has been channelled through new issues into the private sector. By contrast, because pension funds and life assurance companies are required to hold 60 per cent of total assets in prescribed investments (government, local authority and parastatal paper), this has allowed the Government to fund its large budget deficit in a largely non-inflationary manner through the issue of domestic stock. Indeed, during the 1985-8 period, insurance companies and pension funds bought Z$1.2bn of government stock – more than 40 per cent of the Z$2.8bn of stock issued.

By mid-1989, only $98m had been raised in new private sector equity issues, though there have also been a number of privately-placed debenture issues. The bulk of the new-issue activity has been in the form of rights offers, and only five companies – Dunlop Zimbabwe, Zimbabwe Alloys, Agricor, Tabex and Truworths – have gone public since independence.

The strong secondary market is likely to encourage several new and rights issues over the next year, despite the rather disappointing Tabex public offer in July, which was only 76 per cent subscribed. But, as inflation accelerates, so the prospect of tighter credit and higher interest rates hardens, with investors recalling that the 1980-81 share market boom came to an abrupt end when bank rate was doubled in 1991.

With price controls and the wage freeze having failed to tame inflation, it is a matter of time before the authorities tighten the monetary screw, though, with elections due in mid-1990, this may be delayed for another year, suggesting that the bull market has still some way to go.

Tony Hawkins

BANKING

Disappointed small entrepreneurs should benefit in the next decade

ZIMBABWE's diversified and highly profitable banking sector is currently under attack from the Government for its failure to lend aggressively to the country's small-scale enterprises.

A senior central bank official accuses the banks of being more concerned with risk aversion than risk management, while official figures show that only 3 per cent of bank lending goes to black Zimbabweans.

These criticisms are a symptom of understandable frustration with the country's failure to transform excess domestic money-market liquidity into viable investment projects. While the money markets are awash with funds and the banks underlent, investment levels are inadequate to the task of maintaining the capital stock intact, let alone generating the 200,000 new jobs needed each year.

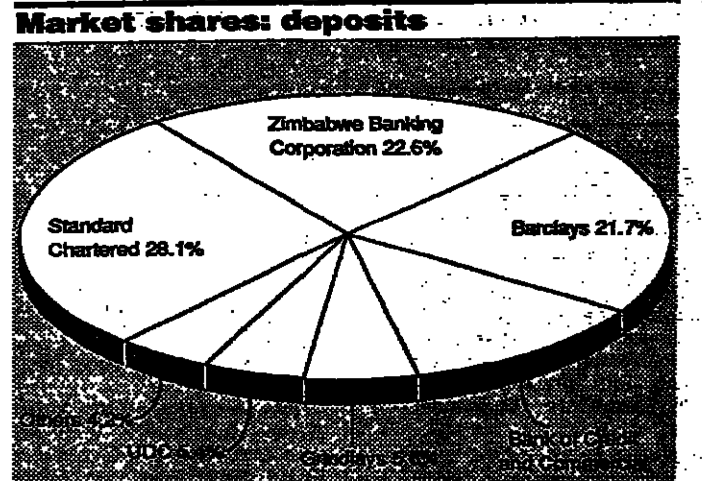
Barclays has already established a small business unit

The banks deny that they are turning away potentially viable black entrepreneurs simply because they lack collateral, the most frequent complaint levelled by black businessmen. They argue that a borrower has no track-record, no professionally compiled accounts and no cash-flow projections, lending is a very high-risk activity.

In any event, the Government has the means to foster such lending if it so wishes through its two wholly-owned institutions – the Zimbabwe Development Bank and the Small Enterprises Development Corporation – which, ironically, officials accuse of even more conservative lending policies than the privately-owned banks. The banks cite the bad-debt record of the state-owned Agricultural Finance Corporation – write-offs of Z$20m in 1987-8 – as a cautionary tale of the consequences of indiscriminate lending to small enterprises.

Whatever the rights and wrongs of the present controversy, it is clear that all parties will focus more closely on developing small-scale enterprise during the 1990s, since it is obvious that larger-scale businesses are not going to generate anything like enough jobs by the turn of the century to prevent a social and political catastrophe.

Barclays has already taken the plunge by establishing a unit designed to cater to the needs of small businesses. Others are considering different approaches – strengthening their project-assessment capability at branch level, funding venture capital companies, and establishing extension departments to provide consultancy services to small business.



The authorities will need to change their policies, too, and there are welcome signs of greater flexibility. Not only do the banks dispute the official estimate that only 3 per cent of their loans are to blacks, but they argue that they would lend more if interest rates were deregulated, allowing them to charge higher-risk premiums where appropriate, and if their liquidity ratios were reduced.

At present, the banks are required to hold liquid assets to the tune of 40 per cent of their liabilities to the public, and in recent years they have also been forced to hold non-interest-bearing Reserve Bank Bills, which are a means of mopping up excess market liquidity.

There are five commercial banks, four merchant banks, three building societies, five finance houses and (operating on the London model) two discount houses.

Standard Chartered is the largest banking group, though it has been losing market share. It has a 28 per cent share of total deposits, followed by the state-owned Zimbabwe Banking Corporation which has 22.6 per cent, and Barclays with 21.7 per cent.

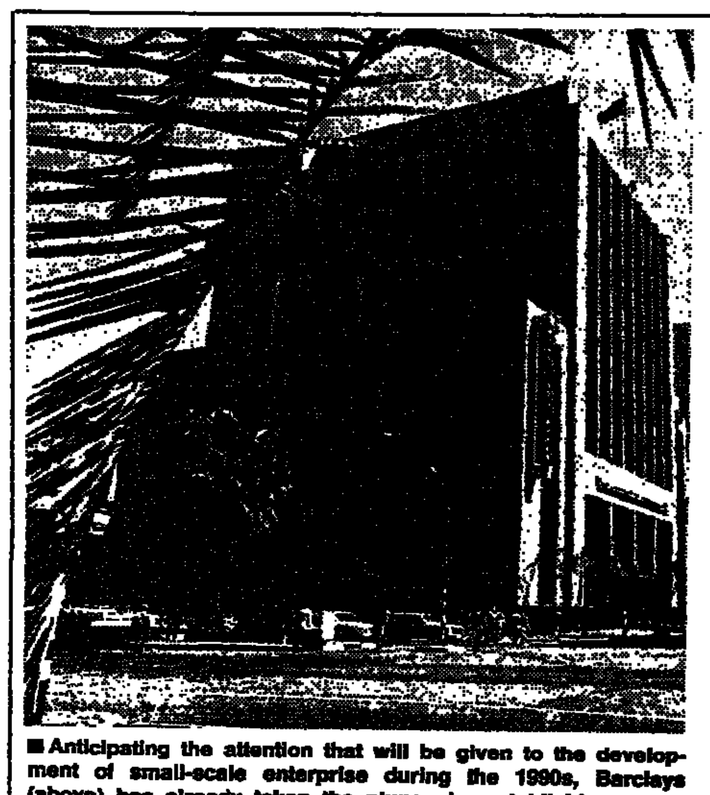
The country's newest bank – the Bank of Credit and Commerce of Zimbabwe, which is a joint-venture with the Government – has, in eight years, built itself a substantial 12.5 per cent share of the deposit market.

On the lending side, Standard Chartered is fractionally in front, with just over a quarter of the total, but Zimbank is close behind with more than 24 per cent and Barclays in third place with 18 per cent. Both Standard and Zimbank groups operate a merchant bank and a finance house, but the Barclays operation is confined to commercial banking.

Since 1981, there has been little movement in interest rates, with the authorities relying on liquidity ratios and special bills to regulate the money supply, which has grown at an average annual rate of 14 per cent, running well ahead of the underlying growth rate of the economy of 3 per cent.

The most recent figures show money supply expanding at an annual rate of 20 per cent; and, with inflation accelerating, tighter credit and higher interest rates are on the cards – though probably not until after next year's elections, given the unpopularity with the urban elite of any rise in mortgage rates.

Tony Hawkins



■ Anticipating the attention that will be given to the development of small-scale enterprise during the 1990s, Barclays (above) has already taken the plunge by establishing a unit designed to cater to the needs of small businesses. Right: the business district of Harare. Pictures: Glyn Genin

MINING: the most striking change is gold's resurgence

A crucial currency earner

INVESTMENT of between US$160m and $200m in the Hartley platinum project, by the Australian Delta Gold group, is only the second major new mining investment in Zimbabwe since Independence — the other being the development, in the early 1980s, of the open-pit coal mine at Hwange.

With little expansion in capacity taking place, industrial growth has depended on world market prices on the one hand and exchange rate depreciation on the other.

Thus, while the value of production has more than trebled since 1980, production volumes were only 2.5 per cent higher and more than 10 per cent below their 1976 peak. Unit values have risen more than 150 per cent since independence, primarily reflecting the 70 per cent depreciation of the Zimbabwe currency against the US dollar. As a result, forecast output this year at Z$1.15bn will — in US dollar terms — be lower than in 1980-81. Indeed, value-added — at constant 1980 prices — is currently no higher than under sanctions 10 years ago.

Contributing only 7 per cent of gross domestic product and accounting for a mere 5 per cent of the employed workforce, mining's strategic importance lies in its foreign currency earnings. In 1987, the most recent year for which detailed figures are available, mining exports — including ferrochrome but excluding steel — accounted for 43 per cent of the total, compared with 39.5 per cent for agriculture and 17.5 per cent for manufacturing. Last year, this proportion may well have declined somewhat, partly reflecting the 13 per cent fall in the value of gold exports, but in absolute terms mineral exports are put at more than Z$1.1bn, against Z$986m in 1987.

The most striking change in the structure of the industry since independence is the resurgence of gold — the result of positive price developments and currency depreciation on one side, and technological progress on the other.

Value of mining outputs

	Z$m	US$m
1980	415	645
1981	394	572
1982	383	505
1983	471	465
1984	547	440
1985	630	390
1986	700	420
1987	816	490
1988	986	550
1989*	1,150	575

* forecast

In the early 1940s, Zimbabwe produced more than 800,000 ounces of gold annually, but this fell below 350,000oz in 1973-4. There has since been a gradual recovery to 482,000oz last year, and substantial increases in the volume of production are forecast over the next few years, suggesting that gold's share in the value of total production, which has almost doubled in the past decade, will continue to increase, especially as the cyclical upswing in base metal prices loses momentum.

Gold production has been encouraged by the establishment of a floor price, that would be subsidised by government, should market realisations fall below the Z$750 an ounce. At current exchange rates, the world price translates to Z$790 an ounce, comfortably above the floor level. While the Zimbabwe currency is forecast to continue its slide against the US dollar, gold promoters are calling for a rise in the floor price to Z$800, to accommodate the impact on input costs, especially of imported plant and machinery, but also fuel and wage costs, rising at more than 15 per cent a year.

Significant new investments in the gold sector include the Z$36m spent by the Cluff group on developing the Freda and Rebecca deposits, which will produce 2.4 tonnes of gold annually, overtaking Rio Tinto's Renco (1.8 tonnes) as the country's largest producer, and Anglo America's Z$29m opencast gold mine in Matabeleland.

In platinum, at least two other projects involving Anglo-American and Rio Tinto, in one case, and Union Carbide in the other, are under study.

Base-metal producers continue to ride the crest of the cyclical boom, with base-metal realisations in the first half of 1989 estimated to be up more than 20 per cent in local currency on 1988s record earnings. Nickel production trebled in value to Z$198m last year, while Bindura Nickel's pre-tax profits more than doubled in the half-year to June 1989. Copper output was up 50 per cent last year, while at Zimbabwe Alloys, one of the country's two ferrochrome producers, prices for low-carbon ferrochrome rose 43 per cent and 61 per cent for the high-carbon product. Lower nickel and copper prices point to slower short-run growth, but local currency earnings will continue to improve, reflecting the 10 per cent devaluation of the Zimbabwe dollar so far this year.

Mining output (%)

	1978	1988
Gold	20.6	38.6
Nickel	15.6	20.0
Asbestos	14.7	10.0
Copper	9.1	6.6
Coal	9.4	10.7

The increased tempo of exploration activity — a record 57 exclusive prospecting orders have been awarded, while a further 17 are pending — and planned development especially in gold and plantinum hold out the hope that the 1990s will see a return to the 5 per cent annual growth rate experienced under sanctions 20 years ago. But, for this to happen, investors will want to see higher returns in what is a high-risk activity than those obtained during the 1980s.

The hard fact is that, until recently, rates of return in the Zimbabwe mining industry have simply been inadequate. Figures for the 1980-88 period, for four major listed mining companies in the ferrochrome, nickel, gold and copper industries, show the return on equity averaging 8 per cent a year, fluctuating between a low of minus-19 per cent in 1982 and a high of 47 per cent last year. Increased investment can only be expected where entrepreneurs are confident of increased returns, as distinct from earnings paid into blocked accounts.

The industry also faces some formidable short-term challenges — an acute shortage of foreign exchange, inadequate steel supplies, upward pressure on costs, a tightening skills situation, electric power cuts, and worsening internal transport. These cost pressures and output constraints are the more severe, given mining's export-orientation, which means that most producers — coal is the chief exception — are price-takers on international markets.

If mining is to shake off its stagnation image, it must maintain, and preferably increase, its market share, which means focusing on vertical integration to enhance the local value-added content, quality improvements, new product development, aggressive marketing and extra investment in technical progress.

Tony Hawkins

New investments in the gold sector include the Z$36m spent by the Cluff group on developing the Freda and Rebecca deposits

Optimism surrounds Delta plan

IF ALL goes well, Zimbabwe's disappointing post-independence record for attracting foreign investment should receive a substantial boost some time in the next few months.

It will take the form of a US$160m-200m project to tap a remarkable mineral resource of platinum, palladium, nickel and other metals in a sector of the Great Dyke, near Hartley.

The company behind the project is a small Australian exploration group called Delta Gold, headed by Mr Peter Vandersypy. In 1987, the Government granted it an exclusive prospecting order over a large area that had been vacated in the 1970s by Union Carbide.

After combing the results of Union Carbide's drilling and assaying between 1968 and 1972, Delta emerged convinced that a project was on, and commissioned a feasibility study which is due to be completed next month.

Delta's optimism is easily understood. The resource area it has defined is only a part of the whole, and has proven and probable reserves of 40m tonnes, enough for a 20-year mine life at a mining rate of 2m tonnes per year.

The plan is to begin construction of an underground mine by July next year, together with an on-the-spot flotation plant to concentrate the ore and a smelter to produce matte. Once operating in late 1992, it will produce 100,000 ounces of platinum a year, 84,000 ounces of palladium, 2,700 tonnes of nickel, and quantities of gold, rhodium, copper and cobalt.

The platinum output amounts to a significant 3 per cent of world production, and will generate half the mine's revenues. A further 25 per cent of revenue will come from the nickel. All told, annual revenues are projected at US$120m.

That is around 8 per cent of Zimbabwe's foreign exchange earnings, so the mine's significance in balance of payments terms is obvious. It would reduce Zimbabwe's dependence on South Africa and, because South Africa is the major world producer, simultaneously help western consumers of platinum to do the same.

The two big questions surrounding the project concern Delta's capacity to carry out such a large project, and the unsettled financing arrangements necessary to meet the needs both of potential outside investors and Harare.

Delta is now negotiating an agreement with the Government on a mine development plan and dividend and foreign exchange matters. It is also looking for an industry partner to give it and the project greater credibility, and seeking a number of passive investors and lending institutions.

According to Rick Menell, executive director of Delta, the group is expecting around US$80m in equity, of which US$50m would come from outside. Lenders being approached include the Commonwealth Development Corporation and the International Finance Corporation, a World Bank affiliate.

To advise on the financing, Delta has retained S.G.Warburg together with Warrior International, a group of former City bankers. To operate the project, it has hired Gordon Freeman, former general manager of the Rossing uranium mine, who has latterly worked at BHP's Mt Newman iron ore mine in Australia.

The Delta project, assuming it goes ahead, will dwarf the few other foreign investments which have so far occurred in Zimbabwe. And there could be more investments to come: other projects under scrutiny on the Dyke include one involving Anglo American and RTZ, and another based on the interests Union Carbide maintained further south, near Wedza.

Chris Sherwell

Glyn Genin

Lawnmowers being manufactured, at TA Industrial, Harare

Manufacturing industry

New priorities are required

WITH agriculture and mining contributing more than 80 per cent of exports, manufacturing industry's traditional role has been that of supplying domestic requirements and processing primary products (notably cotton, tobacco, iron ore, and chrome) for export.

Industrial growth in the 1960s and 1970s was heavily reliant on import substitution, and this has continued, albeit at a slower pace since independence.

Industrial performance has been disappointing: partly because manufacturers have been denied adequate levels of foreign exchange to import capital equipment, spares and raw materials; partly because both domestic and regional demand has been weak; and, perhaps most disturbing of all, because the sector has lost some of the entrepreneurial flair and technical expertise that was its strength during the sanctions years.

Output has grown at only 2.7 per cent annually since 1980, though last year growth reached 4.9 per cent, surging to 8.3 per cent in the first quarter of 1989. This spurt in activity is unlikely to hold up in the latter half of the year, with the annual expansion rate falling to around 4 per cent or even less.

It is generally accepted that major changes in industrial policy are required, with industry's top priorities being a more flexible price control system, improved access to foreign currency and new initiatives to foster small-scale enterprise. Until relatively recently, government priorities have been rather different, targeting on increased state participation in industry, close control of prices, and favouring the development of capital goods industries.

Output has grown at only 2.7 per cent annually since 1980

Today there is more of a consensus about what needs to be done, though less on how to do it. The import allocation system, still tied to a base quota that existed in 1965, is slowly being replaced by a more performance-oriented one, to the point where more than half the foreign currency allocated to manufacturers is through an export revolving fund or other specific mechanisms designed to channel scarce exchange where it is really needed.

The shift in incentives in favour of export activities, created by changing the basis of import allocations, has paid dividends since industrialists have been encouraged — often forced — to export to get access to foreign currency. This is evident in the recovery of industrial exports since 1983, reflecting industry's ability to compete internationally, despite high transport costs and an overvalued exchange rate.

But this can be no more than a transitional arrangement, and the Government is currently studying the recommendation of its working party on trade liberalisation. The unpublished report is understood to recommend across-the-board expansion of import quotas by 20 per cent each year, while introducing extra allocations for items currently not imported at all.

The expanded element in import quotas would be sold by tender — a variation on the auction system — and the existing system of protection by quota replaced by tariffs and temporary import surcharges. The plan would, over a period of five years, replace the existing quantitative controls with a tariff-based one.

The foreign currency to finance this general increase in imports would have to come from foreign borrowing (probably a World Bank structural adjustment loan), from export expansion and exchange rate depreciation. The report is apparently upbeat on the economy's capacity to generate most of the extra foreign currency needed through export expansion flowing from limited depreciation of the Zimbabwe dollar: it argues that a relatively small devaluation would generate the required export growth.

An important bonus in this approach is its impact on government revenue and the budget deficit. Faster import growth and higher tariffs would make a major contribution to deficit reduction.

In his budget speech last month, finance minister Bernard Chidzero appeared to reject a key plank of the report, when he said the Government had decided to go ahead with a selective, phased programme of import liberalisation — the selective approach having being explicitly rejected by the working party, which favours general liberalisation. But, whatever the strategy finally adopted, it cannot be launched unless or until there is a major reduction in the budget deficit, since macro-economic balance is a precondition for trade liberalisation.

Trade liberalisation is viewed with great caution by both government and industry. Industrialists fear that they will face fierce competition from low-cost producers in Asia and Europe. As one industrialist says: "I know that Brazilian exporters could land competitive products on Harare at 60 per cent of our prices." Others warn that industry needs a lengthy period of high protection, so that it can modernise and reequip before facing open international competition.

Yet these rather gloomy assessments conflict with World Bank research, which suggests that more than half the country's manufacturing industry — the third largest in sub-Saharan Africa, after South Africa and Nigeria — is efficient, and only about 12 per cent highly inefficient.

This high degree of efficiency, in a protected and largely monopolistic market, is not readily explained. In part, it reflects sensible policy decisions at both firm and national level, with little investment in costly capital-intensive white elephants, though some would put part of the state-owned steel manufacturer (Zisco) into that category. In part, it is the result of low fixed capital costs, because many firms have depreciated their capital stock and operate with obsolete machinery, thereby avoiding high-cost replacement investment.

Undoubtedly, too, Zimbabwe has an entrepreneurial and managerial skills base that is unique in the region — with the exception of South Africa — though there are signs that years of foreign currency scarcity, lack of access to modern technologies and expertise, high protection and monopolistic markets, both at home and to some degree within the SADCC region, are beginning to erode that cutting edge.

Gloomy assessments conflict with World Bank research

In the words of one industrialist: "While our competition is using just-in-time techniques, inventory management in Zimbabwe is based on the just-in-case concept: buy supplies when they are available, often regardless of cost and scheduling."

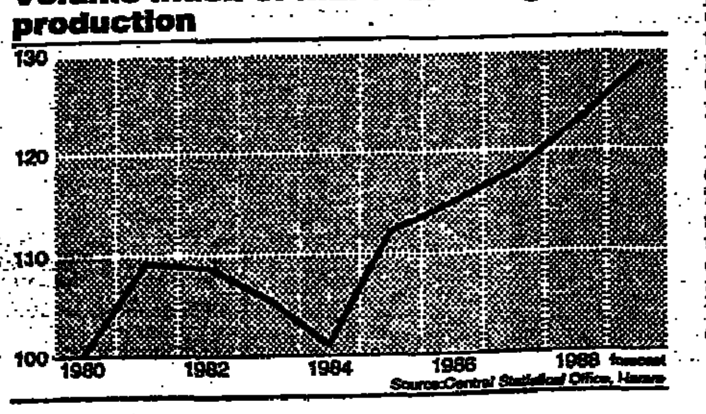
In this situation, it is vital that the economy be opened up to new investment, new technology and new competition, though government, as well as the manufacturers themselves, are wary of what Dr Chidzero pejoratively calls "a free for all" economy.

Because some of the measures needed to launch the liberalisation strategy will be politically unpopular, even the diluted programme acceptable to both government and the private sector is unlikely to get off the ground until after next year's elections.

In the meantime, industrialists, dismayed at the new "liberalised" price control regime introduced in July, which for some is even less acceptable than the previous controls, are concentrating on restoring profitability, before turning their attention to the challenge of trade liberalisation.

Tony Hawkins

Volume index of manufacturing production



Source: Central Statistical Office, Harare

Tony Hawkins on agriculture's part in national growth

Peasant success amplifies call for land redistribuition

SINCE independence, economic growth has been closely correlated with changes in agricultural production, and gross domestic product has expanded rapidly only when weather and market conditions have been kind to farmers.

There are two main linkages between agriculture and national economic activity: first, the farm sector routinely contributes more than 40 per cent of total exports; second, both domestic demand in the economy generally and activity in the important agro-allied industries depend heavily on harvest performance.

GDP figures showing that agriculture's share at 14.5 per cent is well below manufacturing's 25 per cent contribution understate the sector's significance. When the 750 000 peasant farmers are included, agriculture employs upwards of 1.5m people (35 per cent of the workforce) and provides a living for at more than two-thirds of the population.

Zimbabwean agriculture is frequently cited as one of the few success stories in sub-Saharan Africa, but this must be qualified since value-added has been growing at only 3 per cent a year during the past decade, barely keeping pace with population growth. Indeed, this year real output will be lower than in 1985, with deliveries of cotton and maize well below record levels.

The real success story has been the dramatic increase in the peasant sector's contribution to crop sales – up from $12m (4.5 per cent of the total) in 1979 to more than $300m (22 per cent) last year. Small farmers produce more than half of the cotton crop, about 60 per cent of maize delivered to the Grain Marketing Board,

Value-added has been growing at only 3 per cent a year during the past decade

the bulk of the sunflower crop and a large proportion of burley tobacco. But virginia tobacco, beef, horticulture, wheat, soya beans, coffee and tea are dominated by the 4,200, mainly white, commercial farmers.

The relative importance of the two sectors has become an increasingly political issue, as Mr Joshua Nkomo, senior minister responsible for development, has called for the transfer of more land to landless peasants. His call was echoed in last month's budget, in which the finance minister, Dr Bernard Chidzero, announced that the Government was taking a close look at proposals to tax under-utilised land. While further land redistribution from commercial to communal farmers is inevitable, it is essential to maintain a delicate balance between equity and efficiency.

Mr Nkomo's supporters cite rapid growth in peasant output as justification for a more equitable pattern of land ownership. but doubts are raised on two main counts. First, the rapid growth in peasant output in the early 1980s appears to have levelled off at around 20 per cent of total crop production. Second, the ability of the small-scale sector to produce increased quantities of cotton and maize, given favourable weather conditions, is not questioned; but its capacity to meet production targets in poor rainfall years and export beef, tobacco and horticultural products to highly competitive cost- (and quality-) conscious world markets, where high-tech production techniques are required, is very much in doubt.

Because so few communal producers have access to irrigation, production is less reliable than in commercial areas. Thus, in the 1987 drought, the peasant share in crop output fell to only 14 per cent, from 21 per cent in 1985. Furthermore, regional maize export markets are likely to shrink in the 1990s as peace comes to southern Africa and large-scale maize importers, like Mozambique, Angola and Zambia, move towards self-sufficiency, thereby forcing peasant producers to diversify away from the crop they know best. There is huge potential in livestock production – notably beef – but, for this to be realised, small farmers will have to undergo a culture change, marketing their cattle rather than treating them as a store of wealth.

This year, the value of agricultural production is forecast at almost Z$2.1bn, up 6 per cent on 1988 despite patchy and erratic rains. Five products – virginia tobacco, beef, cotton, maize and sugar – account for two-thirds of the total, while horticultural production, mainly for export to European markets, has grown in the last three years, and is set to expand further, but at a slower rate, in the 1990s, given adequate transport.

A new industry, scheduled to come on-stream in 1993, is the production of palm oil by the Mwenezi Development Corporation. MDC, which is 70 per cent owned by Aberfoyle Holdings plc, will produce 60,000 tonnes of palm oil annually by the turn of the century. A total of Z$380m is being invested in the project – the largest single private-sector investment since independence – and two processing mills are to be established during the 1990s. MDC will earn a forecast US$45m annually in export revenues as well as satisfying domestic demand.

Resettlement and possible land taxation are long-term problems, but the immediate challenges facing the industry are more mundane – input shortages and the squeezing of profit margins. While shortages of imported equipment, such as vehicles and spares, have long been a major headache, more recently cement, coal, transport and electricity have been added to the list of inputs in short supply or subject to interruption.

Profit margins are under pressure in several areas. In the case of beef, outbreaks of foot-and-mouth disease mean Zimbabwe has lost its preferential-price quota in the European market for a year, and this will mean lower prices for cattle farmers. Cotton producers complain that more than 40 per cent of their 7.5 cents a kilogram price increase has been wiped out by the government-imposed 16 per cent wage award to farm labour, which will cost the entire farming industry some Z$50m this year.

The 6 per cent estimated rise in the value of agricultural production will fall well short of cost inflation, put at between 15 per cent and 20 per cent, pointing to lower profitability throughout the industry, especially in a year of reduced yields. The solution, farmers believe, lies both in boosting yields and efficiency, and in producing crops that are not subject to government price controls, such as tobacco, fruit and flowers.

Value of agricultural production Z$m

	1988*	1989†
Virginia tobacco	472	510
Beef	220	260
Cotton	255	230
Maize	226	220
Sugar	166	160
Horticulture	110	115
Wheat	94	106
Livestock (other)	205	240
Crops (other)	200	230
Total	1969	2076

* estimated † forecast

RESETTLEMENT

What the war was about

This resettled farm, near Mount Darwin, has been split into 25 acre-plots Glyn Genin

MR MUPOREZA and Mr Marere farm near the tiny village of Zvomanyanga. Their lives may be quite different otherwise, but in one way they resemble their counterparts from Iowa to the Ukraine: at the end of a long week they like to get spruced up, come into town, and have a drink.

Deciding exactly where to go in their part of the world poses no problem at all – every Friday afternoon the pair can be found on their way to the only licenced premises for miles around, the Zvomanyanga Supermarket and Bottle Store.

In a large whitewashed room that doubles as pub and country store for food and household supplies, the two farmers are greeted as well-known patrons as they make their way through a crowd of shoppers. They prop their walking sticks against a wooden bar in one corner, push their brown felt hats back on their heads, and undo the jacket buttons of their heavy, old-fashioned suits. Ordering bottles of cold Castle beer, they lean back against the bar and begin the serious talk of successful farmers.

If Mr Marere and Mr Muporeza have assumed something of the manner of prosperous rural gentry in Zvomanyanga, their roles have only been recently acquired. Just 10 years ago Zvomanyanga was part of a large, white-owned commercial farm, and the two men were landless peasants. This year they have made more than Z$10,000 each through cotton and maize cultivation.

Zvomanyanga may sit at the end of an unpaved rural road more than 250km from Harare and the seat of power, but the rural transformation of the type taking place here now stands at the centre of a national debate that threatens Zimbabwe's political and economic stability.

Zvomanyanga is one of 19 villages on the Umfurudzi Resettlement Scheme; there have been 70 such schemes undertaken since independence. Extending for 45,000 hectares, it provides each of 566 families with 5ha of arable land, a residential plot, communal grazing rights for cattle, and government-funded health and educational facilities.

The residents of Umfurudzi are among the more fortunate of Zimbabwe's 800,000 smallholder farming families, a group that comprises 94 per cent of the county's farmers and more than two-thirds of Zimbabwe's total population. Since 1980, 52,000 of these families have moved on to resettlement schemes totalling 2.9m hectares in area.

However, 750,000 families remain crowded onto 15m ha of low-yield, high-drought-risk "communal" farming areas that make up slightly less than half of the country's arable land. About 12m ha of the remaining farmland, situated in the highest-yielding areas in the country, are held by just 4,500 large-scale commercial farmers – about .5 per cent of the total farming population.

With no farming land left to exploit and the country's annual 3.5 per cent growth rate putting ever-increasing strains on the land, the uneven nature of land distribution in Zimbabwe holds high potential for social and political unrest. The fact that the country's commercial farming population is almost exclusively white makes the issue one of the most divisive and emotional since independence.

The inequality of land distribution and the Government's ineffectual attempts to appease mounting black frustration are a result of contradictions between Zimbabwe's political past and its present economic imperatives.

The country's war of independence was, for most Zimbabweans, a war for land, a struggle for the return of lands claimed and used by white colonial settlers. While President Mugabe promised land redistribution at independence, the process has been extremely slow for a number of reasons.

First, large-scale redistribution through nationalisation or expropriation of white-owned farms was excluded in the terms of the Lancaster House agreement worked out at independence between Zimbabwean whites, black nationalists and the British government. Since then, purchases of white-owned farms – many funded in part by £30m in resettlement grants and programme aid from Britain's Overseas Development Administration – have been effected on a "willing seller/willing buyer" basis, although government has first purchase rights on any commercial farming land put up for sale.

Second, execution of its programme to resettle 162,000 communal families on commercial farming land has been severely effected by financial factors. All large, viable blocks of commercial land abandoned by farmers during the war or sold by those who departed shortly after was purchased by 1983. Since then the price of land has doubled and the portion of the government budget for land purchase has dropped by 75 per cent. In 1983 the state bought 940,000ha of land for redistribution; in 1988 it bought only 64,000ha although, with population growth, more than 150,000 families are now waiting to be resettled.

Third, the government finds itself compromised by the economics of land resettlement. Using modern inputs and technology, commercial farmers have developed agricultural systems comparable to those in developed countries. In 1987-88 they were responsible for generating Z$1.3bn, or 65 per cent of agricultural gross domestic production and Z$912m, or about 40 per cent, of Zimbabwe's total foreign currency earnings. Resettlement of 150,000 families with little access to technology or development capital would take well over half of all commercial farming lands, with immeasurable effects for domestic and export production.

The debate over resettlement, which has been simmering for years without any new policy initiatives coming from government, is now coming to a head with the conjuncture of two events in 1990: national elections and the expiry of the 10-year Lancaster House agreements.

Bodies such as the Commercial Farmer's Union (CFU) underpin their arguments against any post-Lancaster House moves constitutionally to legalise expropriation with predictions of dramatic declines in agricultural production. Meanwhile, popular political pressure in the build-up to elections in recent months would seem to make some form of government initiative on the issue inevitable.

Tensions on both sides continue to mount. Mr David Hasluck, CFU director, for example, characterises constitutional changes on land ownership as "absolute nonsense", saying such moves would wholly destroy private investor confidence the government has recently tried so hard to build. The only real solution to the land question, he says, is agricultural reform inside the communal farm areas, where land is poorly utilised and badly managed.

Mr Joshua Nkomo, senior minister, on the other hand, has, along with other public figures, contributed to a rising tide of expectation by saying that if the state cannot acquire land through purchase it must obtain it otherwise.

The Government itself, meanwhile, remains caught in a cleft stick. While it cannot ignore the economic dangers of altering a proven system of commercial land ownership, neither can it remain oblivious to steadily mounting land hunger and communal farmers claims that, even in present circumstances, they have shown themselves capable of producing over half the nation's maize and cotton production.

While the Government is now likely to set up a commission to look into the social and economic implications of accelerated land resettlement, some observers in Harare say it will probably continue a "muddle-on" policy for as long as possible. Almost all agree, however, that the question is not whether the land issue must be faced, but how soon and in what way.

Nicholas Woodsworth

TOBACCO

Fresh markets sought

ZIMBABWE is the world's fourth-largest producer of flue-cured tobacco, though its 1989 market share is estimated at only 3.5 per cent.

More than half the world's output is grown in China, followed by the US (12 per cent) and Brazil (7 per cent). With 98 per cent of its crop exported, Zimbabwe is the world's third-largest tobacco exporter, after the US and Brazil.

Successful diversification notwithstanding, tobacco remains the lynchpin of the farming sector. In 1988, flue-cured leaf exports totalled Z$517m, or 18 per cent of total exports, and this year they will approximate Z$600m. The industry is responsible for the employment of 120 000 people, or more than 10 per cent of the formal sector workforce, while its contribution to GDP is estimated at 6.6 per cent.

Tobacco was the main target of international economic sanctions in the UDI years, during which period output declined from a record 146m kg to a low point of just 50m in the early 1970s. By independence, production was back to 80m kg, and has since risen a further 50 per cent to the 125m kg crop currently being sold on the Harare auction floors.

Since 1980, world tobacco production (excluding China) has stagnated, despite consumption growth estimated at 2 to 3 per cent annually. With consumption in industrial countries forecast to decline, due to anti-smoking regulations and health-related campaigns, market growth will be confined largely to the developing and centrally-planned economies.

This poses problems for Zimbabwean exporters, who have traditionally sold half the crop in industrialised countries, with the European Community taking about 45 per cent. EC regulations will stipulate lower tar yield cigarettes from 1992, thereby forcing manufacturers to change blends and growers to focus on high-quality leaf.

As consumer resistance – and tobacco taxes – increases in the high-income markets, so Zimbabwe is being forced to develop new markets in Comecon countries, the Middle East and Africa, where foreign exchange is scarce and where barter deals are frequently necessary.

This has created sharp divisions within the Harare tobacco trade, the anti-barter school arguing that the industry does not need to resort to barter to dispose of its production profitably. Despite this, the volume of leaf under barter grew from 7,000 tonnes in 1983 to more than 18,000 tonnes (18 per cent of exports) in 1987. While there divisions within government, too, on the merits of barter, political influences to favour continued, if not increased, tobacco barter.

After a disastrous season in 1987, when prices fell 30 per cent in response to a poor quality drought-stressed crop, the industry bounced back last year, when prices soared 80 per cent to a record 393 Zimbabwe cents a kilogram. Prices were disappointing early in the 1989 season, but have since recovered strongly, and by the end of July were averaging 403 cents a kilogram.

With a third of the crop still to be sold, price forecasting is a hazardous business, but industry experts predict a seasonal average of around 410 cents – up only 4 per cent on last year, and well below the increment required to offset mounting cost pressures. Earlier optimism of further rapid expansion in output to 150m kg has been replaced by a more cautious approach, and next season's crop target is unchanged at 125m kg.

Tony Hawkins

Glyn Genin

Up to 3,200 bales are sold daily on Harare's tobacco sales floor

Tobacco production

Years	Volume Kg m	Value Z$m	Average price Zim cents per kg
1981	67	123	184
1982	89	153	167
1983	94	178	189
1984	120	247	207
1985	106	283	268
1986	114	358	313
1987	127	278	218
1988	120	472	394
1989*	125	515	412

* forecast

FOR THE 3,000 Zimbabwean soldiers who guard Mozambique's Beira corridor, July was a busy month.

After a long stretch of relative inactivity, rebels of the Mozambique National Resistance abruptly intensified sabotage attempts on the corridor's 314km railway linking Zimbabwe to the sea.

The timing of the attacks was no accident: preceding a Mozambican Government National Congress at which negotiations to end the country's 13-year-old war were expected to be discussed, the attacks were intended as a show of strength. An irony of Mozambique's uncertain peace process, they were also also an illustration of Zimbabwe's vulnerability to events outside its control.

Every day Zimbabwe's defence forces spend more than US$200,000 in Mozambique. While their presence in the country has become increasingly unpopular at home and a major drain on foreign exchange reserves, it is seen as vital to the protection of national interests — much of this money is spent on guarding the Beira corridor, a route along which 95 per cent of Zimbabwe's petroleum imports are piped, and a road and rail connection which links land-locked Zimbabwe to its closest ocean port.

Before rebel activity brought about the closure of the Mozambican border in 1976, Beira and the port of Maputo to the south handled 80 per cent of Zimbabwe's agricultural, mining and manufacturing exports.

With little choice of alternative routing following the closure, Zimbabwe was forced to turn to South Africa.

Nicholas Woodsworth on the risks of the Beira corridor and the lobby for its fuller use

The expensive alternative to Durban

Despite the political importance placed by the government on diverting Zimbabwe's trade away from South Africa, Zimbabwean businessmen have since grown accustomed to exporting and importing goods through Durban and other South African ports.

Although the oil pipeline was reopened in 1982 as a joint venture between the British multinational Lonrho and the Mozambican Government, businessmen continued to favour the southern routes. In 1983 more than 90 per cent of Zimbabwe's overseas trade was handled through South Africa.

> Zimbabwe forces' presence in Mozambique is unpopular at home and a drain on foreign exchange reserves

In spite of military protection, the Beira rail line was subject to frequent rebel attacks, the port of Beira itself became characterised by run-down handling facilities, inefficient management, and unreliable shipments. South African ports, on the other hand, offered complete security, modern facilities, reliability, and rapid turnaround times.

In the last four years the Beira Corridor Group (BCG), a private lobby of 210 Zimbabwean businessmen, has been attempting to persuade domestic and regional trading concerns of the renewed viability of the Beira route. Organised under the auspices of SADCC — a regional body attempting to reduce economic and trade dependence on South Africa — the BCG has had a limited success in restoring the confidence of wary and hesitant businessmen.

In 1985 the Beira railway carried 240,000 tonnes of international traffic into and out of the port; last year the figure had risen to 393,000 tonnes. According to the BCG, Beira is now handling 30 per cent of Zimbabwe's overseas trade.

Group managing director Mr David Zausmer admits that in the past Beira deserved its poor image, but points to a number of substantial improvements, including better security and a major US$450m port rehabilitation programme financed by western donors.

The BCG's most convincing argument is economic. Beira is only 600km from Harare, while Durban is more than 2,000km; more than US$800 per 40-foot container is saved by shipping through Beira. Zimbabwe's Ministry of Transport calculates that the country's total annual freight bill of US$825m would be cut by US$100m if Mozambican ports were used at pre-1976 levels.

While shipping volumes increased from 248,000 port tonnes in 1896 to 460,000 port tonnes in 1988, Beira is still using only half its present transfer capacity. Although the port will be equipped to handle half the region's trade by next year, a number of continuing problems are likely to keep it from realising its full potential for some time to come. These include:

- A lack of shipping services. Because of currently low cargo volumes, many European shippers will not stop at Beira. Without adequate services, regional businessmen are hesitant to increase export volumes through the port, thus creating a vicious circle of under-utilisation.
- Critical shortages of locomotives and rolling stock. Of 198 locomotives operational in Zimbabwe, 126 lack spare parts for maintainance; Zimbabwe has been obliged to acquire 20 South African locomotives to fulfil its needs on southern routes.

Without greater capacity it cannot put more locomotives on the Beira run. And without the assurances of dedicated shipments from importers and exporters, it will not allocate additional rolling stack, already in short supply.

- Constraints on road development. CFM, the Mozambican railways, wish to maintain a rail freight monopoly through the corridor. Road haulage licences are therefore difficult to obtain.

> The ministry calculates that the freight bill would be cut if Mozambican ports were used at pre-1976 levels

The biggest constraint to increased utilisation of the Beira corridor, however, remains Mozambique's war. While moves towards negotiations now seem to be under way, many observers believe that peace is still a long way off. Until this happens, South African ports are likely to remain Zimbabwe's biggest customers.

☐ A Mozambican soldier being trained, earlier this year, by the British Military Advisory and Training Team (BMATT), in eastern Zimbabwe

INTERNAL TRANSPORT

All systems afflicted by forex dearth

Glyn Genin

If you're flying out, fine — but among stay-at-homes there is great dissatisfaction with the woefully inadequate provision of urban public transport

UNLESS MORE foreign exchange is made available for the rehabilitation of the locomotive and truck fleets, the internal transport system, already critically strained, is in danger of breaking down.

Although Zimbabwe at independence inherited one of the best road and rail networks on the continent, Ministry of Transport budgets over the years have failed to allocate sufficient funds to the maintenance of existing infrastructure, or to the upgrading of its transportation fleet.

Instead, critics argue, foreign exchange loans have been channelled into non-essential development projects. Now obliged to honour resulting debt service commitments, the Government is unable to provide funds for essential transport services.

Ninety per cent of Zimbabwe's internal freight traffic is carried by the National Railways of Zimbabwe (NRZ). Of the 160 locomotives required on its 3,000km network, only 120 to 130 are operative at any one time, depending on the availability of spare parts. This, combined with a shortage of rolling stock, has led to serious bottlenecks in the supply of materials and energy to industry. Particularly affected is the transport of coal from Hwange to thermal stations in Harare and Bulawayo, and its provision to the vital tobacco industry for the purpose of flue curing.

Although NRZ has instituted a crash programme for the repair of locomotives, it lacks skilled personnel, and operating locomotives remain overworked and under-maintained. While the Government has leased 20 locomotives from South Africa, it is now planning to purchase 30 more, at a cost of US$100m, with loans from the US. An agreement is expected to be concluded in September, but it will be at least another 24 months before any deliveries can take place.

Zimbabwe's road transport sector, similarly affected by foreign exchange shortages, is in even more critical condition. Of its national fleet of 20,000 trucks, 41 per cent are more than 16 years old. Sixty per cent of the total fleet, according to Mr N.C.Chasi, a former ministry of transport official and now general manager of the Beira Corridor group, is ready to be scrapped.

While the Government began in June to look for finance to purchase more trucks, its estimated requirement of Z$700m makes the rapid replacement of Zimbabwe's ageing fleet unlikely.

A 50 per cent drop in funds for road maintenance since independence has also led to a deterioration in the condition of the country's roads, especially in remote rural areas. With commercial truckers refusing to risk their vehicles on some feeder roads, one consequence has been financial losses to communal farmers unable to get produce to Grain Marketing Board depots.

Nowhere has there been greater popular dissatisfaction with the transport sector than in the woefully inadequate provision of urban public transport. Last year the Government purchased 49 per cent ownership in the United Omnibus Company, an enterprise with a national monopoly on urban transport.

Because of the inadequacy of foreign exchange allocations, spare parts are not being replaced, and the company's fleet of 3,800 buses is diminishing rapidly. Until greater provisions of hard currency are made, the long queues of irritated commuters in Zimbabwe's cities and towns are going to grow longer and more irritable still.

Nicholas Woodsworth

ENERGY: there's been load-shedding, despite adequate capacity

Greater efficiency needed

DESPITE the system's adequate installed capacity, the state-owned Electricity Supply Authority (Zesa) has been forced into a programme of power-cuts and load-shedding during the 1989 winter.

Capacity consists of the 666-megawatt Kariba hydro-electric power station, 920MW of thermal capacity at Hwange, and 300MW at the thermal stations at Bulawayo, Harare and Munyati.

In theory, 1,900MW network is more than enough to cope with a maximum demand of about 1,406 MW, but with 440MW at Hwange being lost due to "gearbox" problems and the "old" thermal plants around the country only able to generate — under optimal conditions — some 230MW, load-shedding has been necessary.

On paper, Zesa has the capacity to cope with demand until 1992-3, when forecast demand will reach some 1,700MW; but the thermal plant at some of the smaller stations is dated and Zesa itself is critically short of the foreign currency it needs to maintain its capacity. A good example is the foreign currency allocation of $20 000 to Bulawayo, where one item — the cable for the new Cold Storage Commission complex — will cost $136 000.

In the past Zesa has been able to import between 120 and 240MW from Zambia, but the severe fire at the Kafue complex early this year means that this source of supply is no longer available and unlikely to come back on stream until after the 1991 winter.

The immediate task is to improve the operational efficiency of the existing installed capacity, though this will be extremely difficult in the light of the foreign currency constraint, the fact that with the system under strain it has not been possible to undertake routine maintenance, and the economy-wide shortage of technical skills.

The longer-term programme calls for investment of some US$4bn in a 300MW installation at Kariba South and two other hydro stations on the Zambesi, one at Batoka Gorge and the other upriver.

The Kariba South project is highly controversial. Experts argue that it won't help Zimbabwe to meet growing demand after 1993, because all the water energy available on average flow is being utilised by the existing turbines. The project, strongly-favoured by energy minister Kumbirai Kangai, is opposed not only by Zesa itself and by private-sector users but also by the World Bank, whose reluctance to fund it could be a key factor in the final Cabinet decision.

The enormity of the capital budget for the 1990s and the heavy foreign exchange and subsequent debt-service burden has prompted a look for other options. What could turn out to be the most attractive of these is a deal with Mozambique's Cabora Bassa.

With brightening prospects for an end to the civil war there, and some 2 000MW of installed capacity lying idle at Cabora-Bassa, this could turn out to be a relatively low-cost solution and one that would — at long last — put some teeth into regional co-operation. It would be easy to finance, since donors would fall over each other to participate in a regional project that would help Mozambique and could be seen also as a way of reducing that country's dependence on South Africa.

But there is likely to be some political opposition in Harare to electricity imports from Mozambique because, in the past, government has insisted on self-sufficiency for strategic reasons.

Zimbabwe imports all its liquid fuels, though ethanol, produced from sugar in the lowveld, is blended with imported oil to reduce the foreign exchange cost of imported energy. However, there are hopes that oil will be found in the Zambesi valley, with Mobil scheduled to start drilling for oil — in the face of bitter opposition from environmentalists — soon.

Industry sources believe there is a 5-to-10 per cent chance of striking viable oil deposits. Environmentalists believe the exploration could seriously damage tourism and safari potential in the area. In 1987, imports of petroleum products totalled US$130m, or about 12 per cent of total imports.

Tony Hawkins

Unemployment poses a crisis of enormous proportions

Well-educated but jobless

IN A wattle-fenced field next to classrooms set in rocky cattle-grazing country north-east of Harare, children of the Muringamombe Primary School are watering vegetables in the pale afternoon sunlight of the Zimbabwean winter. Carrying buckets of water from a small earth dam across the road, the barefoot children are being supervised by their proud headmaster, Mr Robert Kanengone.

"As well as reading, writing, and arithmetic, we are trying to teach them practical skills

'All the children are learning – many walk 6km or 7km to school'

that will also be of use – activities like horticulture, domestic care, and protection of the environment," he says. "All the children in the area are learning – many walk six or seven kilometres to school every day."

But when questioned about what the children will do when they eventually graduate from the secondary school a few miles away, Mr Kanengone is decidedly less cheerful. "Most children here have five or six brothers and sisters, and there isn't the land to support them all. Many will drift away to the cities to look for work. Not many will find it. A lot of them will have little choice but to come back here again." When he is asked what they will then do to earn a living, Mr Kanengone has no answers, and can only shrug his shoulders.

Mr Kanengone is not the only one unable to come up with answers to the question of unemployment. So disturbing are the proportions assumed by this issue in Zimbabwe in recent years, and so pressing is the need for answers, that a 1988 University of Zimbabwe study has characterised new and effective employment strategies as "urgent needs" that are "essential if a major social crisis is to be averted".

Employment statistics vary widely according to their source, are often simple estimates, and rarely take into account the large informal and communal farming sectors that make up three-quarters of Zimbabwe's total workforce. A few generally accepted figures, however, serve to illustrate the scope of the problem.

Of a national population of 9m and a potential labour force of more than 4m, formal sector employment today totals 1.15m people, or about 13 per cent of the population. This is just 100,000 jobs more than existed in 1975, making for an average of only 8,000 jobs created annually during the last 13 years.

Meanwhile, the number of school-leavers looking for jobs has risen dramatically. In 1983 there were fewer than 30,000 school-leavers, but in the last three years the figure has exceeded 150,000 annually, contributing to the creation of a market of job seekers now estimated at 1m people.

This is three times the number of job seekers that existed only five years ago, and now represents a formal sector unemployment rate of nearly 50 per cent. Next year there will be 272,000 school-leavers looking for jobs, and in 1991 a further 330,000. Even at a glance, it is obvious that Zimbabwe is facing an employment crisis of enormous proportions.

Zimbabwe's employment problem is of a two-fold nature. One one hand it has a huge pool of surplus labour that has received an academically-oriented education; many of these graduates – the beneficiaries of a 1982 government decision to provide O-level education to all Zimbabweans – come from villages and farms, have little desire to return to the land, but have high expectations of white collar employment. On the other hand, it suffers from a serious lack of skilled workers – trained journeymen, fitters and turners, printers, textile workers, technicians, engineers, and professionals are all in short supply.

Mr Mike Humphrey, chief economist of the Confederation of Zimbabwe Industries, sites the continuing lack of funding, facilities and staff for training purposes as the greatest constraint to an increase in skilled employment. An ongoing outflow of workers from Zimbabwe – both black and white – since independence has also had serious consequences.

None the less, the prospects for raising the employment levels of skilled workers remain much better than those of finding jobs for the great mass of educated but unskilled labour. President Mugabe has said that he would rather have educated people without jobs than illiterate people without jobs. The sentiment may be commendable but it has given little practical aid either to the working population or to the productive sectors of the economy.

Between 1980 and 1985 the number of workers in commercial farming dropped by more than 50,000, and in mining by more than 10,000. Of the 85,000 new jobs created in the same period, 90 per cent were in the non-productive sectors of public administration, education and health.

Many of the reasons for, and solutions to, the employment crisis lie in Zimbabwe's economic development. Stagnant exports, rising inflation, excess capacity in mining and manufacturing, increasing wage levels, and low rates of foreign and domestic investment have all been cited as factors contributing to rising levels of unemployment. It is, in fact, the employment crisis and the threat of widespread social unrest that has been a major impetus behind government economic reforms towards a liberalisation of the economy.

"Zimbabwe has the potential to increase its industrial base and stimulate job creation," says Mr Humphrey. "What is required is new investment, both local and foreign, and higher export levels to generate foreign exchange for the importation of raw materials and machinery."

Like Mr Humphrey, Mr H.S. Mahlaba, deputy minister of labour and manpower planning, is counting on the new investment code and future liberalisation of price and import controls to stimulate employ-

Many solutions to the crisis lie in economic development

ment. University of Zimbabwe academics agree and advise emphasis on labour-intensive technology, small-scale enterprise promotion, and lower wages to encourage job creation. Other economists see more jobs coming not through the formal labour market but through greater organisation of the informal and communal farming sectors.

But while Mr Mahlaba insists that "the situation is under control", no one is willing to say that a real solution to Zimbabwe's fastest-growing problem is in sight.

Nicholas Woodsworth

Building refrigerators, in Harare – amid huge unemployment, there is still a shortage of skills *Glyn Genin*

Tourism has emerged as the country's fourth-biggest hard currency earner

Prospects good but investors hesitant

WHEN BRITISH Open Champion golfer Bobby Locke went on golfing holidays in the last 20 years of his life he might have gone to Scotland, the United States, Spain, or anywhere else in the golfing world. Instead, he invariably chose to go to what was then Salisbury, pack his clubs in the boot of a car, and drive some 300km to one of the highest and most isolated golf courses in the world. Troutbeck was, he said, perhaps not the finest course he had ever played, but it was certainly one of the most beautiful.

Today golfing at Troutbeck, in Zimbabwe's scenic Eastern Highlands – a region of rugged hills, six pine forests, well-stocked trout streams, and magnificent panoramas – is becoming increasingly popular with foreign tourists; they are discovering that Zimbabwe's attractions are not just limited to Victoria Falls, Hwange National Park and the Great Zimbabwe Ruins. For those with a taste for the adventurous or unconventional, the country now offers anything from floating hotel rooms, to bush trips for botanical specialists, to five-day game safaris by canoe down the Zambezi river.

Together, unusual and more conventional leisure activities are fuelling an industry that last year saw 451,000 tourist arrivals, generated an estimated Z$200m in foreign exchange, and registered an international market growth of more than 10 per cent.

The fourth biggest hard currency earner in the country after agriculture, mining, and manufacturing, tourism has emerged from the dark days of 1983 when guerilla activity in Matabeleland led to national hotel occupancy rates of less than 30 per cent. But, while future prospects for Zimbabwean tourism look encouraging, industry officials from both government and the private sector agree that a number of serious constraints remain.

For Mr Ian Cochraine, marketing manager for Zimbabwe Sun, which, with 14 leased or owned hotels, is the country's largest private hotel operator, the industry's single biggest problem is lack of access to adequate amounts of foreign exchange.

Other foreign exchange earners, such as agriculture and mining, receive hard currency allocations from the government through both a "revolving fund" and licence system. Tourism, however, because it does not actually export goods, is ineligible for either system. Instead, it must rely on individual foreign currency applications and, because of foreign exchange scarcities throughout the economy, has, until now, received low priority.

In an industry that relies heavily on hard currency for capital costs – 68 per cent of total construction costs of the government-owned Sheraton Hotel in Harare, for example, were in foreign exchange – this has inhibited not only expansion but also simple maintainance. Funds for basic kitchen equipment, refrigeration and air conditioning units are in short supply. Spare parts for tour coaches, car hire services, safari vehicles and small private charter planes are often unobtainable.

Lack of foreign exchange has also had a serious effect on *overseas marketing. The private sector* – there are almost 200 tour operators in the country – says that restricted travel allowances have severely limited its ability to take advantage of vitally important international tourist trade fairs. Mr Sheperd Nyaruwata, director of research and planning at the state-run Zimbabwe Tourist Development Corporation (ZTDC), complains of "a shoe-string budget since 1983". In 1989 the ZTDC asked for a marketing budget of Z$9m – it received less than 10 per cent of that.

With a steady increase in tourism over the last six years, however, it seems that government is beginning to acknowledge the industry's importance. There has been increased pressure on the government to recognise tourism's vital foreign exchange needs, and officials are hopeful that, within the next year, they will

Applications from potential tour operators have increased this year

become eligible either for revolving foreign exchange funds or the retention of hard currency profits on a percentage basis.

Another major constraint identified by both the private sector and the ZTDC is the limitation of airline services. A shortage of domestic flights, leading to bottlenecks out of Harare, is one problem. A far greater problem though, has been Air Zimbabwe's policy of restricting international carriers' entry into the country.

If more routes were opened, Air Zimbabwe, because of its lack of competitiveness, would lose heavily through reciprocal landing-right agreements on international flights. Tourist officials argue that any need to underwrite such losses would be more than made up for by increased tourist revenues and are pressing for new agreements.

A third area in which Zimbabwean tourism is lacking is management capacity. *According to Mr Cochraine, out of the* country's 84 graded and registered hotels only three are run by hoteliers of international standing. The country produces only 20 graduates of tourism management each year, and in-house training is insufficient. While the private sector would like to see more expatriate managers in Zimbabwe, policies designed to encourage local employment make this difficult.

Despite these problems, officials predict that tourism will continue to expand. With its present infrastructure, says Mr Nyaruwata, the industry could handle a 10 per cent increase in tourist arrivals for the next two years. But, in peak seasons, areas such as Victoria Falls, Kariba, and Great Zimbabwe are already pressed for capacity, and new development must take place if full advantage is to be taken of growing interest in Zimbabwe.

Tourist authorities are hopeful that funds for future expansion will be generated by the government's liberalised investment policy and the release of frozen capital. Already *this* year there has been a great increase in the number of applications from potential domestic tour operators and investers interested in time-sharing developments.

Foreign investors, however, have so far shown hesitancy in hotel development, largely because of the government's policy of granting property leases rather than title deeds. Until this policy is changed, foreign investor confidence in Zimbabwean tourism is likely to remain limited.

Nicholas Woodsworth

In the Zambezi National Park – but the country offers a much wider choice to tourists with a taste for adventure and the unconventional *Glyn Genin*

FINANCIAL TIMES
COMPANIES & MARKETS
Monday August 21 1989

INSIDE

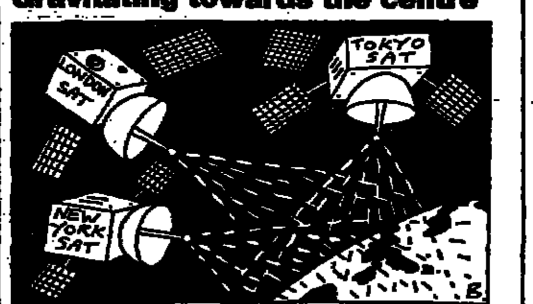
An olive branch from Chicago?

The announcement by John Redwood (left), the new corporate affairs minister at the Department of Trade and Industry, that the Chicago Mercantile Exchange has received permission to operate Globex in the UK would not normally be expected to give succour to its competitors. However, the revelation that the CME and Reuters, its partner in the after-hours trading system, have offered to the DTI concessions on the nature of the system that may modify their agreement could appease rival exchanges critical of the partnership. Page 19

Convertible form of protection

The impact of recent large leveraged buy-outs has caused bond investors to become suspicious about all but a handful of corporate credits. Given their suspicions, investors can protect themselves from LBO risk by having simultaneous exposure to a company's debt and equity. This could be done using direct holdings of bonds and shares or alternatively by holding a combination of equity warrants and bonds. However, analysts at Kleinwort Benson think the best and probably the cheapest way is to invest in Eurosterling convertible bonds. Andrew Freeman reports. Page 18

Gravitating towards the centre



If telecommunications technology is making distance increasingly irrelevant, why does so much of the world's financial business remain concentrated in London, New York and Tokyo? A recent OECD report suggests that the more sophisticated telecommunications become, the more they favour established business centres at the expense of the periphery. Guy de Jonquières reports. Page 32

Market Statistics

Companies in this section

Time for BAT's men to come out fighting

Nikki Tait looks at the likely style of the UK-based conglomerate's formal response to the Hoylake bid

Attention in the £13.5bn ($21.6bn) paper bid by Sir James Goldsmith's Hoylake consortium for BAT Industries is crossing the Atlantic again. By noon today, Mr Patrick Sheehy, chairman of the British-based conglomerate, will have unveiled BAT's defence document, its first formal response to the offer.

While Hoylake's US regulatory problems rumble on and will doubtless affect the market's sentiment towards the bid, the shift in focus is a salutary reminder that the ultimate fate of BAT rests with its UK institutional shareholders – no matter how many American congressmen jump up and down.

The precise details of Mr Sheehy's message to them has yet to unfold, but a good few hints have been dropped. Just a call to the "freefone" BATline would tell you to expect a "total refutation" of Hoylake's allegations of poor performance.

That today's response will centre on this "industrial record" defence was also underlined a week ago, when the company stated that a more "unconventional" rejoinder was unlikely at this stage. Yesterday it was putting the point even more plainly. "We have to come out of our corner and show that the conglomerate structure has served shareholders well," BAT said.

This, of course, will not be the only subject of the document. BAT will probably hammer at the structure of the Hoylake offer. And it may also let shareholders know, in general terms, that the board is aware of the "valuation problem" – that is, the fact that the BAT share price, at about 550p three months ago, has been substantially adrift from analysts' estimates of the group's break-up value.

But if this is the message which is sounded, what kind of reception will it get?

It seems that few institutional shareholders, fully used to the tactical manoeuvring which goes on in any bid battle, are pitching their requirements too high at this juncture. One fund manager says: "It's a somewhat artificial situation. Obviously, BAT may not want to fire its shots while we're in a phoney war."

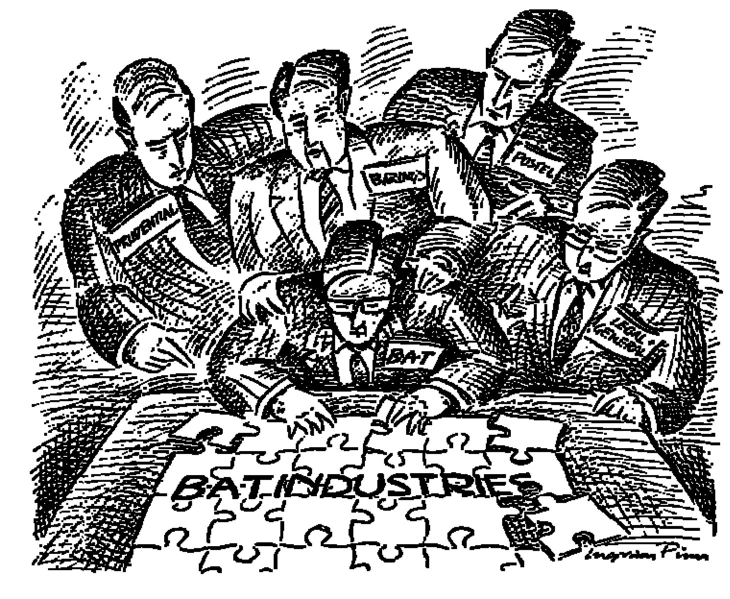
This fairly relaxed stance, however, should not be mistaken for a longer-term sang-froid. Many institutions have already made their wishes clear. Quite simply – and not particularly surprisingly – they would like to see greater value from their investment.

The reasons are hardly subtle. BAT is very large, and even moderate holdings make chunky investments.

Moreover, when analysts are mooting a break-up value of about £11 a share, it is clear that the discrepancy between that sort of figure and the pre-bid price is uncomfortably large. In short, there is both tantalising potential and every incentive to see some of it realised.

This longer-term objective, it should be added, is not a particularly new idea. Right at the start of the bid, merchant bank Barings was canvassing support – and winning some – for a proposed reconstruction of the group around a single holding company, with four separate classes of shares corresponding to the four legs of BAT's business.

But if some institutions are clear enough about their aim, they are less anxious to discuss how and when any attempt to unlock this value might be made. One fund manager, in a typically guarded remark, says: "I think there is a general perception that the board will look at the company's structure in the fullness of time."



Another comments: "Medium-term, most institutions would expect some recompense for seeing Goldsmith off."

But pressed further over the extent to which they would want more detailed indications of how this could be achieved during the current tussle, institutions become cagey. "I'll duck that question if I may," says one fund manager.

And, indeed, the answer must rest partly with Hoylake itself. Again, the institutions are fairly unanimous in suggesting that they would wish to see some measure of cash on the table before they will start to take the Goldsmith offer too seriously. Even then, there are certainly some who question the Goldsmith credentials and smaller print in the current offer.

Worries on this last score focus on the protection given to the Goldsmith/Rothschild/Packer minority interests in Hoylake if the bid is successful.

Whether Hoylake would need to find a full cash option is a moot point. The notion of a partial cash alternative has certainly been a subject of speculation. One institution even suggests that if there were some marketability for the Hoylake loan notes, it would pay rather more attention to the terms.

Yesterday, Sir James Goldsmith appeared to be attempting to shift this particular ball back into BAT's court. By writing to Mr Sheehy and offering to discuss *all* of the offer if a meeting can be arranged, the Anglo-French financier may well hope to instill the impression that it is BAT which is the obstacle to a cash option.

The same point has already been made a different way. Hoylake says plainly that the possibility of arranging any kind of cash option would be folly while the US regulatory position is so unclear. This, in turn leads on to the contentious matter of "frustrating action", with Hoylake claiming that BAT is indulging in this, and BAT stoutly rejecting the allegation.

BAT, however, shows little sign of entering Hoylake's latest game. It frostily told Sir James that if he has a "significantly different" offer to make, this should be put to shareholders.

It prefers to argue that Hoylake is hard pressed to come up with cash, not least because of the non-refundable underwriting/commitment fees which would have to be paid. BAT's advisers put the figure – conservatively – at about £150m-£200m, and suggest that Anglo, the quoted vehicle earmarked for the Goldsmith return, could not afford to shoulder this burden unless the outcome of the battle was guaranteed. The Hoylake consortium, runs the thinking, would probably not wish to.

All of which makes for intriguing guerrilla warfare – and there is certainly more of the same to come. Perhaps the blessing is that – under UK takeover rules – Hoylake will have to deliver or depart by September 23.

Drugs, politics and economics

By Anthony Harris in Washington

This is the silly season, when Congress is in recess, the President is on the Maine coast and baseball salaries are front-page news.

There is nothing silly, however, about the stories which are dominating the headlines and the television bulletins – historic events in Poland and the drug war at home. Even in these sober pages, which are devoted to measurable facts, the consequences of drugs in Latin America are serious and verifiable news.

The drug economy in the US still cannot be described even with the kind of inaccuracy which passes for economic statistics; but it is too serious to be ignored on that account.

Its sheer scale is staggering. Estimates of turnover, which put the drug trade in the same order of magnitude as the motor car industry, or something over 3 per cent of GNP, are no doubt partly sensational. All the same, it is very large, and very disruptive, and it is becoming a dominating issue in politics.

The President is going to announce his own drug strategy when he gets back from Maine, but its broad outlines are already clear. It is mainly punitive – a large prison-building programme, so that those arrested for drug offences can actually be put in jail, a drive to arrest drug users as well as their suppliers and a serious, but financially quite trivial drive to support education and rehabilitation.

"Getting tough" is the kind of programme the American public wants, and it is probably inevitable that this consensus-following President should give it to them; but it is becoming increasingly apparent that it will not work.

One reason was made clear by Mr Marion Barry, the controversial Mayor of Washington, this week. A movement has started in the local churches to bring back the death penalty to discourage the world-famous wave of drug-related murders which has made some parts of the District of Columbia into no-go areas. "We already have the death penalty" said Mr Barry. "Already this year 283 people have been executed on the streets, most of them for dealing drugs. It doesn't seem to deter anyone."

The problem is nearly always discussed as a social or criminal issue, but in fact it is largely a dramatic demonstration of market economics. The incentives are overwhelming. At one level, this is understood. The market for coca leaves, the base material for most of the drugs, has become virtually glutted, because it is about the only marketable crop that many poor farmers in Latin America can grow.

This incentive may in a sense destroy itself: coca is so abundant that its price, and the price of the drugs made from it, has been falling steeply. This is why cocaine – or rather its derivative, crack – is now a down-market product, and the problem is now mainly in blue-collar areas everywhere in the US. An adequate dose currently costs $5, which puts it within the reach even of those living on welfare.

This problem is partly a result of US protection, especially of the sugar trade and of sub-tropical fruits; the Administration is gingerly discussing the idea of reducing this protection and opening alternative crop markets for the farmers. However, no student of markets could believe that this could eradicate coca production as long as demand is sustained. It would simply put a floor under the price.

The one man who has been talking loud economic sense about the demand problem is the courageous Mayor of Baltimore, Mr Kurt Schmoke. For more than a year now he has been pointing out, from any platform that he can find, that the drug problem is simply today's version of Prohibition. Banning the sale of any widely demanded commodity makes the trade more rewarding: it cannot be taxed, and public health standards of purity and safety cannot be imposed.

In the 1920s the gangs which supplied dangerous hooch in illegal bars engaged in street warfare, just as the drug dealers do today. Half a century of legality have not solved the drink problem; indeed, far more innocent people are killed by drunk drivers than are ever likely to be shot in the crossfire of drug gang wars, and the social tragedies and economic costs are great.

All the same, the gangs were simply snuffed out when Prohibition ended, most people can drink without becoming drunks, and the drink you can buy today will not turn you blind. It is a case of the lesser evil.

It seems likely that any objective study would show that the mayor is right to argue that legalisation would undermine the trade far more effectively than "getting tough".

Legalisation would not solve the problem, for no sane government could legalise some of the most pernicious substances now sold, any more than the end of Prohibition legalised the sale of wood alcohol.

However, surely mood changers which are no more dangerous than alcohol could be found and be sold legally at a price, including tax, which would make illegal drugs an unrewarding trade. This logical approach is for the time being politically impossible, unless the US can discover a leader who is both clear-headed and charismatic (an unlikely combination, unfortunately); and the logical case is unappealing partly because it still evades two underlying problems, racial prejudice and the widespread ownership of firearms in this country.

The race question is hard to face in any predominantly white country, because it tells us things about ourselves which we would prefer not to believe. The US has done far more than other countries to confront it, and now has a president who seems genuinely free of prejudice, and tries to lead by example.

If he confronts race boldly, farm interest gingerly, and even shows signs of confronting the gun lobby, he is doing more than might have been expected. It is sad for him, and for all of us, that it is unlikely to be nearly enough.

Economics Notebook

Long wait for virtue's rewards

AS THE Chancellor is learning in his battle against inflation, virtuous economic policies take a long time to have an effect.

But even Mr Lawson would probably be surprised at a recent study* by Mr Richard Herd, an economist with the Organisation for Economic Co-operation and Development in Paris, suggesting that it could take up to 10 years in some countries for the economic benefits of increased government saving to outweigh the disadvantages.

The OECD has long advocated fiscal stringency on the grounds that increased public sector saving can create room for the private sector investment needed for sustained non-inflationary growth.

This reasoning has been a big factor behind the efforts of the British Government over the past 10 years to control public spending.

Mr Herd used the OECD's econometric model to simulate the effects on the US, Japan, West Germany, France and Britain of a cut in government spending amounting to 1 per cent of their gross domestic products. Using various scenarios, he found that output fell at first before increasing.

In the long run, the computer showed that cuts in public spending would have many positive effects. Real interest rates and inflation would be lower, while five years down the line business investment would be stronger in all countries except France.

The results for Britain show a particularly strong additional increase in business investment between five and 10 years after the first spending cuts.

But Mr Herd also concluded that the cumulative loss of output would not be made good until four years after the initial shock in even the most optimistic of his scenarios.

This is discouraging news for any politician confronted with mastering the electoral rather than the economic cycle. Mr Herd's study could have the perverse effect of confirming the general habit of governments to leave the application of sound policies until well after economies are in crisis.

Busy bankers

Europe's central bankers have been busy since the June European Community Summit in Madrid decided to go ahead with stage one of the Delors report plan for economic and monetary union from next July.

In line with the recommendations of the Delors report, central bank officials have submitted *draft proposals to the* EC Commission to beef up the Committee of Central Bank Governors so that it can play a greater role in co-ordinating EC monetary policies.

By all accounts, the draft text builds on the principles of the Basle-Nyborg agreement of September 1987 in which the central banks decided various measures to strengthen the European Monetary System. Among these principles is the idea that monetary policy should be aimed at achieving price stability. The Basle-Nyborg agreement also hinted that central banks should be more independent from governments.

The independence issue is apparently handled delicately in the draft central bank text. But it is potentially explosive.

Although no institutional changes are envisaged in stage one of the Delors plan, the Bundesbank is already fearful that EC member governments will seek to curb its large-scale freedom of action in any move towards monetary union.

It remains to be seen what the Commission and governments make of the draft. But the central bankers have again shown an impressive ability to get their act together.

By contrast, the finance ministries seem to be still some way from reaching an agreed position on how to strengthen economic and fiscal policy co-ordination.

Property probes

It is the job of bank supervisors to be one or even several steps ahead of events. So, recent reports that the Bank of England has been looking closely at bank lending for commercial property do not necessarily suggest that developers are about to join estate agents and over-leveraged retailers as the next victims of *the economic slowdown.*

The good news is that foreign buyers from Europe and Japan still seem prepared to bid for and buy prime properties in London at prices that one fund manager described as "difficult to comprehend". However, there has been a decline in the market for more marginal developments.

There have been isolated reports of banks pulling out of property developments after being told by the Bank of England that they are over-exposed to the sector. Anyone looking at the forest of cranes in the City and further to the east on the Isle of Dogs can understand suggestions that there is a "trace of edginess" among Bank officials about the scale of lending tied up in increasingly large deals.

**The impact of increased government saving on the economy. OECD Working Paper No. 68. Department of Economics and Statistics, OECD, 2 rue André-Pascal, 75775 Paris Cedex 16.*

Peter Norman

THIS WEEK

UK CURRENT account figures overshadow financial markets this week and will provide clues for the Treasury and City about the extent to which the slowdown in economic growth has affected overseas trade.

Recent months' figures have fuelled speculation that the rapid deterioration in the current account last year has begun to turn.

The consensus of analysts' forecasts, compiled by MMS International, the financial research company, is for Wednesday's figures to show a current account deficit of £1.4bn in July after £1.5bn in June.

Other UK statistics include preliminary estimates of gross domestic product for the three months to June released today. Analysts will be looking to see whether the slowdown in industrial production and consumer spending has been translated into lower overall economy growth. The consen*sus is for a rise of 0.2 per cent.*

On the same day as the trade figures, the Central Statistical Office publishes its 1989 "Pink Book" which could contain significant revisions to previous trade figures.

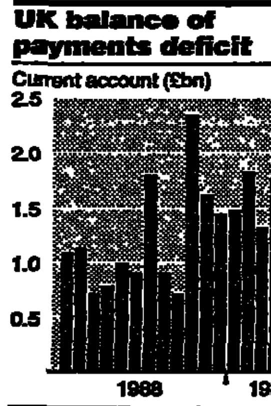
In the US, attention is likely to focus on the meeting of the Federal Open Market Committee, the Federal Reserve's policy-making body, starting tomorrow. Analysts will be looking for hints about future *interest rate trends.*

Also on Tuesday, the July advance report on durable goods is published, giving clues to future economic activity. A rise of 0.3 per cent is expected.

In Japan, the consumer price index for July is expected to be published on Friday and could show an acceleration in the inflation rate from 3 per cent in June. Current account figures for July are expected on the same day and are likely to show another considerable surplus.

A West German Bundesbank council meeting on Thursday, the first since the summer break, is also likely to be watched carefully for hints about future interest movements. However, a rise in rates is thought unlikely.

UK balance of payments deficit



West German money supply figures for July are expected sometime this week. Analysts will be looking to see if the slower trend set in June has *continued.*

Other events and statistics this week (with MMS International consensus in brackets) include:

Today: US, Federal Budget for July (-$20.8bn). UK, manufacturers' and distributors' stocks in second quarter.

Tomorrow: UK, building societies monthly figures for July.

Wednesday: UK, construction, new orders in June. *National Institute for Eco*nomic and Social Research publishes economic review. US, 10-day car sales, two-year Treasury note auction. Australian retail trade in June.

Thursday: UK, cyclical indicators for July. US, five-year Treasury note auction. Franco-German Council (foreign ministers and central bank chiefs) starts two-day meeting at Lake Tegern in Bavaria to discuss economic situation.

Friday: UK, engineering sales and orders in June. US, Federal Open Market Committee minutes for July released. Home sales for July (up 0.7 per cent).

COMMERCIAL PAPER

Jolt as Wang halts repayment

THE Eurocommercial paper market last week received its second jolt in as many months after US-based Wang Laboratories announced it had halted repayments on maturing short-term debts.

The company is struggling to reach an agreement with its bank lenders permitting it to restructure some $962m in debt and restore loan facilities that will allow it to redeem short-term securities.

For investors in commercial paper on both sides of the Atlantic, that was sobering news. The company had in place programmes totalling $300m, about half of which was *outstanding as of June 30.*

Bank of America International is arranger of Wang's ECP programme, established initially in late 1987. According to Wang's director of investor relations, there has been no paper sold under the programme since June, six to eight weeks before Wang's liquidity dried up.

It is unclear when Bank of America itself last sold paper to investors or whether it is repurchasing securities from investors who wish to be rid of the obligation.

Dealers said they had been offered Wang paper as recently as three weeks ago but declined it.

Officials at Bank of America's ECP unit declined all comment on Wang. But its role as arranger of the ECP programme is complicated by the fact that it is also a member of the banking syndicate which has refused to extend new loans to Wang. Those loans could be used to redeem its commercial paper. Wang said talks with its lenders were continuing.

Some dealers in the programme suspended their sales earlier in the year when the extent of Wang's financial problems first became evident.

First Chicago, for instance, said it ceased sales of Wang ECP in April after the company announced a $55m pre-tax loss for its fiscal third quarter. By then, the two principal rating agencies, Standard & Poor's and Moody's Investors Service, had already downgraded Wang's long-term debt to sub-investment grade. Although Standard & Poor's had never rated the commercial paper, Moody's cut the rating to Not Prime in February 1989 from Prime-3, the lowest short-term investment grade.

By July 31 the company was in violation of the net worth covenants in its bank loan agreements, but banks agreed to provide liquidity to August 16.

The announcement comes hard on the heels of the first-ever default in the ECP market. In late June Integrated Resources, a New York-based financial services company, announced a moratorium on repayment of all its short-term and long-term debts – including a $150m ECP programme – while it tried to reach agreement on new loans with its bank lenders. Since then lenders and investors have turned down two restructuring plans and the price of the company's ECP in the secondary market is below 30 cents on the dollar.

The existence of two defaults within a short period of time in a market that has been event-free has forced dealers back to the drawing board to examine the quality of credits in their own portfolios.

Bankers at several leading ECP firms said they have recently re-opened due diligence procedures for commercial paper borrowers carrying credit ratings below the premier A-1/P-1 categories, with an eye to possibly paring the number of programmes they are willing to be dealers for. Several have been exchanging information memoranda with each other on borrowers' financial conditions.

In spite of the discomfort for a number of investors, dealers point out the two defaults may well bring benefits in the form of some badly needed reforms. Intense competition among ECP dealers has pared margins to no more than two to three basis points on programmes, far below those available in the US.

Now, with renewed credit consciousness among dealers, borrowers may have to pay more to sell their paper in Europe, making the business more profitable for everyone. Also, the risks of dealing ECP may prompt a few banks to drop out of what is already a very crowded market.

But perhaps even more significantly, investors are beginning to differentiate among credits in a way they have not done before. Indeed, in a Bank of England discussion paper prepared earlier this year, the ECP market is described as one which attracts lesser quality credits specifically because investors are less credit-conscious than their US counterparts. ECP investors are far more willing to buy paper with a low credit rating or none at all or without a back-up line of bank credit than are domestic CP investors. And, surprisingly, they demand little yield premium for it.

The number of investors willing to purchase paper rated lower than A-1/P-1, regardless of yield, is declining. Dealers also report a sharp reaction in the commercial paper of seven US companies singled out by Moody's Investors' Service in a recent announcement as being Not Prime – its sub-investment grade category. The seven are Integrated Resources, Ampex Group Incorporated, FMC Corporation, Harte-Hanks Communications, Hovnanian Enterprises, McCrory Corporation and Nortek Incorporated.

Moody's said that although the borrowers had not asked for CP ratings, it was making its announcement in order to clear up any investor uncertainty about the credit quality.

Meanwhile, for a market unused to dealing with concerns of credit quality, the two latest defaults pose difficult questions for dealers. First of all, what is their obligation to investors – can they allow those who purchase paper to simply rely on publicly available credit ratings or should investors routinely be supplied with additional financial information gathered by other analysts?

Also, do dealers have an obligation to repurchase all the paper they sold, even after a material change in a borrower's financial condition? The Euro-note Association said it expects these issues to be discussed at the group's next meeting on September 6.

Meanwhile, two new ECP programmes have emerged. The larger of the two is a $600m programme for Privatbanken A/S, Denmark's third largest commercial bank. The programme, the borrower's first in Europe, is rated A-1/P-1. Goldman Sachs is arranger.

Sequa Corporation, a US-based high technology company, has arranged a $200m ECP programme through Chase Investment Bank. The securities are unrated although the borrower's long-term debt is rated Baa2/BBB-minus.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,731.0	0.0	467.0	9,768.7
Prev	328.0	40.0	20.0	8,290.8
Other	1,190.4	17.4	286.6	2,605.4
Prev	1,938.1	0.0	118.8	4,289.1
Secondary Market				
US$	17,097.3	1,430.3	4,044.4	6,199.5
Prev	19,869.1	1,424.0	7,261.2	6,425.5
Other	16,520.9	1,380.6	4,250.4	30,197.4
Prev	19,520.6	1,474.1	3,994.7	31,473.8

	Cedel	Euroclear	Total
US$	9,944.0	31,794.2	41,738.2
Prev	10,848.0	33,310.6	44,158.6
Other	24,543.1	31,906.0	56,449.1
Prev	27,542.8	35,266.4	62,809.2

Week to August 17, 1989 Source: AIBD

EUROBONDS

Convertibles grab the spotlight

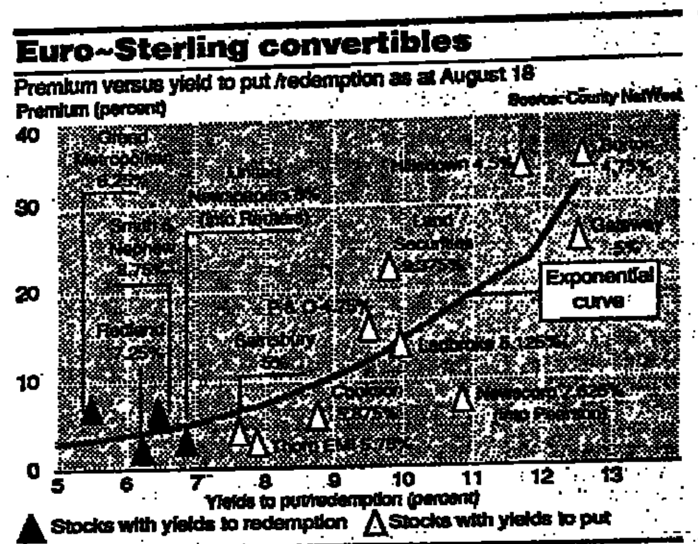
IN THE automobile market, convertibles are about as expensive as they come. Several houses selling international bonds are advising their clients to take a fast car to shop for Eurosterling convertible issues for the opposite reason – they are currently cheap.

But there is more than a price reason to support their advice. Plenty has been written about the impact of "event risk" on the market for corporate bonds. Spreads of such bonds against the equivalent government bonds have been at some of their widest levels ever, while new-issue opportunities have had to be foregone while the market sorts out ways to compensate investors for event risk.

Mr Robin Baldwin, head of debt research at UBS Phillips and Drew, thinks event risk should more accurately be called "leveraged buy-out risk" because it is the impact of recent large LBOs that caused bond investors to become suspicious about all but a handful of corporate credits.

Given their suspicions, investors can protect themselves from LBO risk by having simultaneous exposure to a company's debt and equity. This could be done using direct holdings of bonds and shares or alternatively by holding a combination of equity warrants and bonds.

However, analysts at Kleinwort Benson think the best and probably the cheapest way is to invest in Eurosterling convertible bonds.



In the past this would have been very much an equity play as early convertibles tended to have very low coupons and a big equity component. Recent issues are more like bonds with an equity option attached.

Kleinwort cites the 9⅞ per cent convertible maturing 2004 by Land Securities, the UK property company, as a good example of the sort of bond which offers investors worried about LBO risk a good deal.

With its relatively high coupon, the issue's yield is attractively close to that on a straight bond from a similar credit.

The option to convert at a high premium of 21.7 per cent is in effect a deep out-of-the-money call option. Over 15 years investors might reasonably hope to see the value of the underlying shares increase enough to allow them to convert. Meanwhile, they enjoy a good yield on their bonds.

Kleinwort is not the only house to have noticed the value in such instruments. A recent County NatWest WoodMac report advised clients to "reassess holdings and look for switching opportunities."

County shows that conversion premiums have come down sharply since the impact of LBO worries. For example, the premium on Thorn-EMI's issue has fallen from a 19 per cent high to just 3 per cent.

County also uses a scatter-graph to help investors identify convertibles trading cheaply against each other. The chart takes a universe of bonds and plots their yield-to-put (or the yield-to-maturity where more applicable) against their current premium.

The universe is then juxtaposed against what the analysts call a "curve of best fit." Simply, bonds to the left of the line are relatively expensive, while those on the right are relatively cheap. In the chart above, for example, the Grand Metropolitan 6¼ per cent issue is considerably more expensive than the Cookson 5¾ per cent bond.

It is important to realise that the bonds are only being compared against the other bonds in the particular universe selected.

Thus, a scatter-graph for a bigger universe would look very different.

In addition, the chart is comparing theoretical values. Investors have to consider the real world before buying a bond. Take the News Corporation 7⅞ per cent issue which is convertible into shares of Pearson. Theoretically the bonds look cheap and have an attractive yield-to-put. In reality, however, News Corporation is not a credit which many bond investors would rush to buy.

Similarly, Gateway's 5 per cent convertible appears attractive, but it would be spurned by many fixed-income funds on the grounds that the credit does not offer a generous yield against UK government stocks given the company's troubled situation as a takeover target.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Asahi Breweries‡◆	1bn	1993	4	3⅝	100	Nomura Int.	3.625
Toa Corporation‡	200	1993	4	(4¼)	100	Nikko Secs. (Europe)	★
Qantas Airways◆	80	1999	10	9¼	101⅜	Daiwa Europe	8.978
FGF (Bermuda)◆	60	1999	10	9.67	102	Kidder Peabody Int.	9.577
FGF (Bermuda)(c)‡◆	15	1999	10	20bp	100	Kidder Peabody Int.	-
BankAmerica Corp.(d)‡◆	50	1995	6	20bp	100	Salomon Brothers	-
New Zealand◆	500	1994	5	9	99¾	Morgan Stanley Int.	9.064
Daido Steel Co.‡	200	1994	5	(4⅞)	100	Nikko Secs. (Europe)	★
Toyomenka (UK)★★◆	10	1993	4	9	100¼	Tokai Int.	8.923
CANADIAN DOLLARS							
Swedish Export Credit◆	100	1999	10	Zero	41⅛	Wood Gundy	9.292
Canada Eldor(e)◆	50	1993	3½	11¾	(e)	Wood Gundy	-
LB Schleswig-Holstein◆	75	1994	5	10⅜	101⅝	Mitsubishi Fin. Int.	9.947
UBS Finance◆	150	1994	5	10	101½	UBS Phillips & Drew	9.608
Soc.Quebec Ass.des Eaux◆	150	1996	7	10¼	101⅜	Wood Gundy	9.988
WestLB Finance◆	100	1997	8	10⅛	101¾	WestLB	9.799
AUSTRALIAN DOLLARS							
Sanwa Australia(a)‡◆	110	1994	5	-18bp	100.10	Sanwa Int.	-
SWISS FRANCS							
Hokkaido Bank(g)★★‡◆	200	1993	-	⅞	100	SBC	0.500
Kawasumi Labs.(h)★★‡◆	40	1994	-	⅜	100	Nomura Bank (Switz)	0.375
Oce-Van der Grinten★★◆	50	1992	-	5¾	100½	Credit Suisse	5.564
STERLING							
CARPS III(f)‡◆	65.9	1999	6.1	20bp	100	Samuel Montagu	-
SWEDISH KRONA							
Great Belt Link◆	300	1994	5	11⅛	101⅞	Sparekassen SDS	10.622
LUXEMBOURG FRANCS							
Banque Worms★★◆	300	1995	6	Zero	63⅝	C.d'Epargne de l'Etat	7.827
GMAC Continental★★◆	250	1992	3	8	101	Credit Europeen	7.615
Fin.Co.Sth.Australia★★◆	300	1994	5	8	100⅞	BGL	7.844
ANZ Canada★★◆	300	1995	6	8⅛	100¼	BGL	7.953
YEN							
CIBC(b)◆	7½bn	1992	3	Zero	88.275	Mitsui Trust Int.	4.245
State Bk New S.Wales(b)◆	6bn	1992	3	Zero	88.253	Mitsui Trust Int.	4.253
Sparekassen SDS(b)◆	7½bn	1992	3	Zero	88.275	Mitsui Trust Int.	4.245

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ‡Floating rate notes. ◆Final terms. a) [illegible] 3-month Australian bank bill rate, then [illegible] under 3-month bank bill rate. Put option at par on coupon dates. b) Unlisted. c) 20bp over 3-month Libor. d) 20bp over 3-month Libor. e) Fungible with C$200m issue launched in March. Issue price not disclosed. f) 20bp over 3-month Libor. g) Yield to put 3.848%. h) Yield to put 3.601%. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Sales surge at Chilean telephone company

By Michael Murray in Hong Kong

BOND Corporation International (BCIL), the Hong Kong-listed subsidiary of Mr Alan Bond's business empire, has released figures showing a strong first-half performance from the Chile Telephone Company, which BCIL bought into in 1988.

Sales revenue at CTC, which controls about 95 per cent of Chile's internal telephone traffic, grew by 35 per cent to HK$1.05bn (US$131.8m) for the six months. The operating margin was improved from 41.5 per cent to 44.8 per cent, giving an operating profit of HK$461m.

CTC is an indirect subsidiary of BCIL, which has management control and holds about 48.5 per cent of the issued capital and approximately 52.3 per cent of the fully paid capital. After tax, earnings per fully paid share rose by 22.7 per cent to 59 cents.

During the six months an extra 45,000 new telephone lines were brought into use, bringing the total to 669,000 lines. In addition, new services such as a fax and cellular network have been introduced, while CTC has also acquired a transponder on the Panamsat satellite, which will initially be used to provide data and telephone networks to isolated areas in the north of Chile.

Following the disposal in May of its stake in the Bond Centre office building in Hong Kong, BCIL's assets comprise the CTC holding, a stake in a big property development project in Rome, and 85 per cent of the Huizhou brewing company in Guangdong Province.

Given the current difficulties of its parent company, BCIL is the subject of constant speculation on the Hong Kong stock market, often focusing on the disposal of individual assets. However, last week this speculation switched to a possible sale of Bond Corp's 66 per cent stake in BCIL.

Along with the CTC results, BCIL took the unusual step of issuing a statement seeking "to correct certain misconceptions presently circulating in the market place," which said that "the Bond group's holding in BCIL is not for sale."

DTI gives permission for Globex to operate in UK

By Katharine Campbell

THE Chicago Mercantile Exchange (CME) has received permission to operate Globex in the UK, Mr John Redwood, the new corporate affairs minister at the Department of Trade and Industry, said at the end of last week.

But the CME and Reuters, partners in the after-hours trading system, have offered a number of concessions to the DTI regarding the nature of the system that may modify the terms of the original 12-and-a-half year agreement between the two partners.

Mr Mike Riley, vice president of investor and media relations at Reuters America, said: "These assurances may affect other exchanges positively in the future, and give them something of what they were looking for." Rival futures exchanges had been critical of the exclusivity implied by certain aspects of the CME/Reuters partnership.

The DTI confirmed that Reuters had offered an assurance that it had no plans for Dealing 2000, its new foreign exchange service, to "interact" with Globex – an arrangement that could could have been deemed anti-competitive.

But Mr Riley stressed that while the two systems shared the same network it had never been envisaged that they should share the same terminal. He added, however, that there was "no constraint in physical terms" against the two systems being available on the same terminal, hence contradicting a point in the recent report to the DTI on Globex by the Office of Fair Trading.

Among other assurances to satisfy the DTI was the undertaking that if other information vendors proved unable to compete with Reuters in the electronic futures arena – as determined by the Office of Fair Trading and the DTI – then the Chicago Mercantile Exchange would allow Reuters to offer a similar order-routing system to other exchanges.

Exchanges had complained at the exclusivity of the Globex arrangement whereby Reuters was debarred from providing price information to customers from any futures exchange other than the CME.

Mr Michael Jenkins, Liffe chief executive, said his exchange had reopened discussions with Reuters about obtaining an order-routing system over the Dealing 2000 network, connecting Liffe customers around the world to price information from the exchange floor and possibly from APT, the electronic trading system to be launched at the end of the year. He added that such an approach had previously been rejected by Reuters.

SBC launches novel options

By Katharine Campbell

SWISS BANK Corporation in Zurich is today introducing a novel options product that allows small investors to gain exposure to or protection against fluctuations in five-year Swiss franc interest rates.

The initial issue consists of 50,000 calls and 50,000 puts with a one-year maturity, to be priced by SBC today. The options give the holder the right to buy (via the call) or sell (via the put) a notional 6 per cent five-year bond with a value of SFr5,000. The settlement is effected in cash, as the bonds do not exist, and priced off the five-year Swiss franc London interbank offered rate.

The options will be sold through branches of SBC, and are theoretically available in single lots, although a more likely position would consist of upwards of 10 lots. The smallest denomination of Swiss bonds is SFr5,000, and the options confer the added advantage of leverage. Interest rate protection, in the form of caps and floors, is only available to wholesale players.

Mr John Howell at SBC pointed out that historic volatilities of five-year Swiss franc interest rates, at around 20 per cent, actually exceeded those of dollars, at roughly 15 per cent, enhancing the attractions of the options as vehicles for speculation or, alternatively, risk protection.

One factor that could concern investors is SBC's control of the secondary market – in its capacity as sole market-maker – although the bank contends the success of the product depends on its ability to make fair prices.

Statoil marks time midterm

By Karen Fossli in Oslo

STATOIL, Norway's state oil company, has made an interim profit of NKr2.7bn ($378.6m), the same level as a year ago, with increased crude oil prices and greater crude access offsetting refining and marketing losses.

Operating income reached NKr33.7bn, about NKr6.6bn higher than the year-earlier period. Operating profit increased by 40 per cent to NKr4.9bn.

Statoil said it had allocated NKr984m to provide for currency adjustments on long-term foreign debt. It forecast improved results for the whole year.

Group exploration and production posted an operating profit of NKr4.5bn while petrochemicals recorded a NKr620m profit. Although figures for exploration and production during the current six months are expected to be in line with those of the first, petrochemicals may see a weaker result.

Refining and marketing suffered a loss of NKr194m, largely because of the Mongstad refinery and terminal expansion project which went awry nearly two years ago.

Hypobank to raise DM605m in rights issue

By Haig Simonian in Frankfurt

BAYERISCHE Hypotheken- und Wechsel-Bank (Hypobank), the big West German bank which last month took a 50 per cent stake in Foreign & Colonial Management, the UK fund management group, is planning to raise about DM605m ($310m) through a novel form of rights issue involving convertible profit participation certificates.

According to the terms of the deal, which is due in mid-October, existing shareholders will be able to buy one new convertible profit participation certificate for every 31 shares already held.

The certificates will combine a fixed-rate element, which will pay interest at above market rates, with detachable tradeable warrants, giving investors the right to convert into Hypobank shares.

Each 10-year fixed-rate note, which is nominally-priced at DM1,000 but which is being issued at 125 per cent, will come with three convertible warrants, allowing holders to buy shares at an indicated price of DM400 a share between January 1 1990 and October 15 1993. Hypobank shares closed at DM303.50 in Munich on Friday.

According to the bank, this is the first time such a combination of fixed-rate and convertible paper has been offered to investors on such a scale in Germany. Fuller details of the deal will be released on September 14.

Bayer sells 68% holding in Krems-Chemie

BAYER, the West German chemicals group, has sold its stake in Krems-Chemie, the Austrian chemicals company, to a group of private shareholders, Reuter reports.

Bayer said it had held a 67.9 per cent stake in Krems-Chemie, which had been sold back to the company's founders. Krems-Chemie is one of the largest companies in the Austrian chemicals industry.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Treasuries tune in to the FOMC

WITH overt calls from the Administration for the US Federal Reserve to ease monetary conditions still ringing in its ears, the Treasury bond market will be carefully tuned in to signals emanating from the meeting of the Federal Open Market Committee tomorrow.

The problem is that however powerful a figure Mr Richard Darman, the Administration's budget director, cuts on Capitol Hill, the economic numbers last week steadily undermined the validity of his call for lower interest rates.

It is, of course, not easy to tell between the lines whether the statement by Mr Darman, subsequently supported by President George Bush, was a piece of naked bullying of the Fed in its entirety or whether it was a strategy aimed at helping Mr Alan Greenspan, Fed chairman, to subdue the inflation hawks among his regional bank governors.

What is certain is that last week's economic data will have strengthened the hawk position within the FOMC. This, at least, appeared to be the view of the bond market which was thoroughly back on the defensive by the end of last week.

The figure which contributed most to the bond market's malaise came last Thursday when there was news of a sharp narrowing in the US trade deficit in June, which ran the lowest monthly shortfall in five years. That provided a significant boost to the dollar but made unhappy reading to a bond market which had been discounting a mild recession.

The trade figures were followed by Friday's news of a 0.4 per cent rise in consumer prices in July once the volatile food and energy components were stripped out. That compared with expectations of a modest rise of 0.2 per cent.

These figures came after substantial upward revisions in the retail sales series, to the run of employment data and smaller revisions to business inventories figures. Many economists have started raising their estimates for second-quarter GNP to as high as 2.5 per cent compared with the 1.5 per cent first-quarter drought-adjusted gain.

While nobody believes that growth is accelerating to any significant degree during the third quarter, there are signs of renewed vigour in sectors of the economy which had looked weak, notably housing, employment and car sales.

Retail sales, after the revisions, never appeared to have weakened much at all. On the same day the June trade figures were released, there was news of the third consecutive weekly decline in unemployment claims, to the lowest level since early June.

Bonds fell sharply immediately after the CPI but then bounced back, at least at the long end of the yield curve, after the Fed refrained from draining liquidity from the market when Fed funds were trading at 8$\frac{15}{16}$ per cent. Although nobody believed that this meant any change in policy, the Fed's inaction helped the market to recover.

The yield on the benchmark long bond had banged up near to the 8.25 per cent mark, which has consistently proved a significant support level, and Friday's rebound at the long end at least assured bond traders that there remained underlying demand there.

A consensus has emerged on Wall Street that the FOMC will vote to leave monetary conditions unchanged. Salomon Brothers summed up: "Policy-makers will take comfort from recent evidence that growth has exceeded original estimates while inflation has stabilised at the consumer level and moderated at the producer level. And policy hawks – their advocacy of a cautious approach now well justified – may intensify their opposition to additional easing any time soon."

The short end of the yield curve took the hardest hit last week and the yield curve has flattened dramatically over the last three weeks.

Coupled with the rather swift shift from expectations of a recession to concern that the economy is not slowing sharply enough to squeeze out inflation, the bond market has had to absorb a great deal of supply. The sharp drop in bond prices last Thursday after an initial rally after the trade figures was widely attributed to dealers taking the opportunity to cut long positions left over from the quarterly refunding.

The unexpectedly large $15bn offering of April cash management bills sold during the week of the refunding put enormous pressure on the bill market and probably helped to exacerbate the retrenchment in prices on fading hopes of lower interest rates. This week sees the usual auctions of three-month and six-month bills followed by the sale of $9.5bn in two-year notes tomorrow, $7.75bn of five-year bonds on Wednesday and the sale of one-year bills on Thursday.

The cost of the thrift bail-out has already been felt in the bill and bond markets with additional cash management bills to absorb and an increase in the size of regular auctions. It already seems evident that the size of auctions will be larger at all maturities although, so far, increases have been concentrated at the short end of the market.

This supply and the FOMC are likely to take up the most attention this week, which sees very little new economic data. Today the Treasury releases figures for the budget deficit in July, a report which normally has little market impact. Tomorrow durable goods orders for July are due for release and are expected to show a rise of as much as 1 per cent. The consensus estimate for this extremely volatile series is a gain of 0.3 per cent.

Today the Fed holds an open meeting in Washington on whether any action should be taken against the four Japanese primary dealers in the Treasury market as Tokyo has not opened up its markets to US firms sufficiently.

Janet Bush

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	8.88	9.00	9.19	10.00	6.27
Three-month Treasury bills	8.09	8.18	8.08	9.59	6.96
Six-month Treasury bills	8.28	8.06	8.01	9.59	7.42
Three-month prime CDs	8.90	8.80	8.70	10.15	6.77
30-day Commercial Paper	8.85	8.70	8.80	9.70	6.55
90-day Commercial Paper	8.65	8.45	8.50	10.05	6.65

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	98¾	-⅝	8.17	8.07	7.91
20-year Treasury	109½	-½	8.26	8.20	8.17
30-year Treasury	99½	-½	8.15	8.11	8.08

Source: Salomon Bros (estimates).

Money supply: In the week ended August 7 seasonally adjusted M1 rose $3bn to $778.7bn

NRI TOKYO BOND INDEX

December 1983 = 100	17/8/89	Average yield (%)†	Last week	12 wks ago	26 wks ago
	PERFORMANCE INDEX				
Overall	150.08	5.62	149.92	147.99	148.58
Government Bonds	150.30	4.91	150.17	148.24	149.16
Municipal Bonds	151.86	6.31	151.68	149.80	150.96
Govt.-guaranteed Bonds	152.72	6.37	152.54	150.85	152.07
Bank Debentures	143.99	6.19	143.83	141.63	141.72
Corporate Bonds	152.25	6.43	152.07	150.25	148.79
Yen-denom. Foreign Bonds	156.34	6.11	156.15	154.94	152.85
Government 10-year†	5.00	n/a	5.00	5.07	4.88

† Estimated par yield

Source: Nomura Research Institute

Oxdon lifts Steinberg bid

OXDON INVESTMENTS, the Toronto consortium led by Unicorp Canada, has raised its bid for Steinberg, the grocery and property group, writes Robert Gibbens in Montreal.

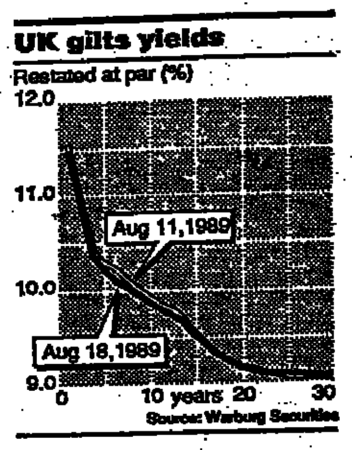
It is now offering C$80 (US$68) cash for the voting shares and C$60 for the non-voting. This puts a total value on Steinberg of C$1.53bn.

The Caisse de Depot, the Quebec pension plan manager, jointly with Socanav, a Montreal transportation group which is also bidding for Steinberg, has offered C$75 for the voting stock and C$51 for the non-voting shares.

Oxdon has demanded a meeting of all Steinberg shareholders and asked its rival to extend its C$1.35bn bid until three days after the meeting.

UK GILTS

Trade figure doubts check rally



THE GILT-EDGED securities market scoffed roundly at the welter of economic data issued during last week that appeared to confirm a slowdown in the domestic economy.

The two-month rally in gilts showed signs of faltering as prices on the week advanced only around ¼ of a point (as measured by the long gilt future on Liffe, which finished the session on Friday at 95-29).

With the market discounting almost any favourable news, the July trade figures to be released on Wednesday will have to be startling to produce a significant reaction.

The median forecast is for a trade gap of £1.6bn, just a shade narrower than in the previous month, but the dockers strike will have an unpredictable effect, and some economists argue that present policy adjustments have yet to dent seriously the flow of imports, warning a poorish number may be in store.

Meanwhile, the gilt market's rather grudging plaudits last week for the authorities' apparent achievements in cooling consumer demand pressures stems from two fundamental factors. First, there is a widespread belief both that seasonal and other factors played a sufficient part to suggest some recent figures are an aberration.

Moreover, no one can seriously believe the current cycle of good news can translate into a cut in base rates before the end of the year, if then. Hence the continuing excitement at the short end of the market seems overdone, and the queasiness of sterling – which contributed to a retreat last week of the foreign interest that had been underpinning the gilt market – is also a little perverse.

Several of last week's figures, the market decided, should be judged with caution. While the 0.6 per cent drop in July retail sales volumes, for instance, at the beginning of the week was sufficiently precipitous to occasion noises in some corners of the market that the economy was on course for a recession, such speculation is excessive. Any doubts should probably err on the side of caution as to how durable, in the slightly longer term, the slowdown is.

The market may have been presented with the lurid consequences of a high interest rate policy on some areas of consumer spending – as MFI, the furniture retailer and subject of Britain's largest management buy-out, was among a number of companies seeking major restructuring in their finances to accommodate failed growth targets.

But equally, July's retail sales drop may be exaggerated, affected by the unseasonably hot weather. Seasonal adjustments, after all, fail as yet to take account of the global warming. And effects of weekly transport strikes almost certainly kept stores emptier than usual.

Moreover, as the Bank of England cautions in its recent quarterly bulletin, the services sector, the other large but elusive measure of consumer spending, continues to be buoyant.

The inflationary impact of higher forthcoming wage settlements is one of the primary concerns for the market – and the almost inevitable upward bias of the forthcoming wage rounds will both force up industry's costs and boost earners' confidence, which may translate into renewed spending.

While Friday's retail price index, up 8.2 per cent on last year and 0.1 per cent down on the June figure, may indeed represent the top of the present cycle, as the authorities contend, the inflation spectre is clearly not vanquished with the private sector pay rounds yet to start, and initial prognostications far from good.

THE announcement on Friday that the Bank of England would be conducting a further reverse auction of stock in the autumn will be a temporary boost to general sentiment. But, in that area too, there are some more sobering thoughts in store for the gilts market in the rather longer term.

In January Merrill Lynch pointed out that the gilts market would actually disappear by 2002, assuming a constant public sector debt repayment rate of 1 per cent of GDP until then, although Merrill Lynch's own gilts team will not be around to find out since the firm last week joined the growing ranks of securities houses ceasing to make markets in gilts.

Even this fiscal, however, the Government appears to have overestimated the size of the PSDR which, while presaging ultimately the demise of the gilts market, has of course in the shorter term been an important prop to prices. Even given last week's slightly larger surplus in July, it seems official buy-in requirements may quite quickly become less of a fixture.

The irony has not escaped some, who reckon that just as the coterie of market-makers is whittled down to sensible proportions, the issuance of stock may increase once again.

Katharine Campbell

FT/AIBD INTERNATIONAL BOND SERVICE

[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn=current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price. Closing prices on AUGUST 18

UK COMPANY NEWS

A case of the blind wooing the lame

Goldberg today launches its defence against the Blacks bid. Nikki Tait reports

FEW TAKEOVER battles are precariously balanced before the first defence document has even been posted.

But the tussle between A Goldberg, the Glasgow-based fashion retailer, and its predator, Blacks Leisure, never looked the most conventional deal from day one. It could, with only a little exaggeration, be described as a case of the blind wooing the lame.

On the one hand, Goldberg tumbled into the red for the first time in 50 years as a quoted company in the 12 months to March 31 – making a pre-tax deficit of £2.92m on sales of just under £60m.

Worse, in an inclement retail climate, it recently warned that substantial trading losses have continued into the current year and said that no profits forecast will be possible.

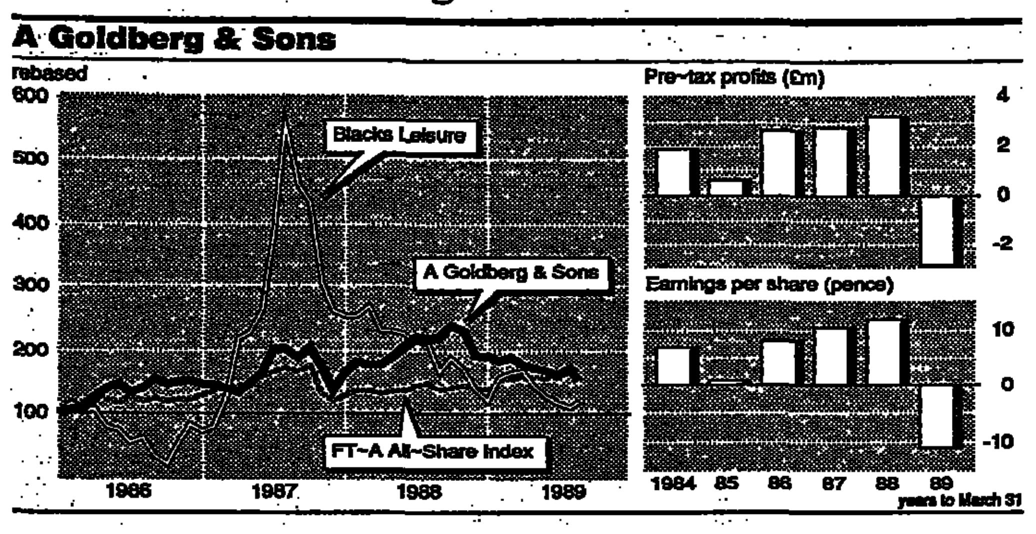
On the other hand, Blacks is a former high-flier which has been decidedly grounded of late. It won renown as one of the go-go "shell companies" in the 1987 bull market. A number of businesses were pumped in during that period, in return for a wash of extremely highly-rated Blacks paper.

However, like so many of its kind, Blacks found that the post-crash climate put an end to this style of operation. The result today is a lean asset base, high gearing, and relatively little room for future manoeuvre.

All of which gives the marriage plans a certain logic – at least from Blacks' perspective. In Goldberg, it has alighted on a company where defences are low and with an asset strength that could rectify Blacks' balance sheet.

Even better, there is a major shareholder – Mr Russell Goward's Charterhall – which was known to be a seller. Its 29.9 per cent stake would provide an excellent platform from which to launch the attack.

Charterhall has given an irrevocable undertaking to accept Blacks' offer and is even indemnifying the bidder against some of the costs if the offer fails.



But already the bid poses two critical questions.

First, in the wake of Goldberg's profits warning, do these advantages still outweigh the trading problems which the bidder would have to take on board, and are hints that it might consider withdrawing anything more than a tactical bluff?

Secondly, if the bid does proceed in its current form, what might be in it for Goldberg shareholders?

The first question can only be answered by looking at Blacks' needs and estimating the state of Goldberg's trading position.

The Blacks story is anything but simple. Having slumped to near-receivership and as little as 2¼p a share in late-1986, the company was rescued by a Wembley-based accountant, Mr Bernard Garbacz, and a couple of colleagues. They arranged a £1m cash injection and, in return, acquired over one-third of the equity.

The shares then ran up sharply and, helped by a couple of rights issues, Blacks added three small sports shop chains, a textile merchant, a fashion menswear designer and a fashion womenswear supplier to its original camping goods retail business.

Since the stock market crash, it has made some more modest acquisitions on the sports goods retail side, but their pace and scale has diminished sharply.

Blacks' profits in 1987-88 improved hugely – hardly surprising since most of its acquisitions had offered warranties on purchase. The year to February 1989 was less happy; the pre-tax figure fell 35 per cent to £3.1m, blamed on the drop in retail demand – although, as one analyst points out, the sports good market in 1988 was not particularly difficult.

And at the year-end, Blacks' net assets were still only £7.3m, while debts by July 21 totalled £10.5m. Moreover, with the market fully aware of the limited acquisition possibilities and the dreary retailing environment, the shares had dropped back below 10p, compared with their one-time high of 53p.

Mr Garbacz, too, eased out of the front line, selling two-thirds of his personal stake in March and handing over the role of chief executive to his son-in-law, Mr Simon Bentley – also an accountant working for the same firm.

It does not require an accountancy qualification to see that a Goldberg-style deal – a paper bid for a relatively asset-rich company – could usefully restructure Blacks. Goldberg's net assets at end-March were £22.7m. Included in that are a couple of freehold properties in Edinburgh and Glasgow which are generally acknowledged to contain surplus space and offer development potential.

Mr Bentley reckons that if these sites could be sold for around £12m – almost twice book value – the combined group could have debts of as little as £2m against an asset base of perhaps £30m.

Blacks goes on to argue – and this may prove a more contentious area – that it could utilise some of the Goldberg outlets in the expansion of its own operations, while its "rag trade" businesses could chip in on the design/merchandising side.

The question-mark is how poor a trading situation it would also take on. Goldberg has been through various incarnations in its lengthy history, but until four years ago was seen principally as a general retailer, with a heavily credit-oriented customer base and its own credit card subsidiary, Style Financial Services.

In 1985, according to chairman Mr Mark Goldberg, the group had to choose: the finance side was "a hungry child", and if the necessary capital was committed there, the retail business would be starved.

So Goldberg decided to stick to retail and sold Style. The impetus switched to an expansion of specialist fashion shops – Wrygges, shoe retailer Schuh (acquired in 1987), and a 50:50 joint venture called Ted Baker, a shirt specialist which is now wholly owned.

However, this volume-led strategy and hefty expansion programme – Goldberg has said it spent more than £7m on its four retail arms last year, with some 27 new stores opening – was interrupted by the downturn in the retail spending. The normal Christmas sales surge never developed last year, and Ted Baker proved the only relatively bright spot.

Some analysts also fret that Goldberg may still not have the merchandise entirely right for its shift in its targeted market.

Nevertheless, the extent to which the latest profit warning comes as a real surprise is a moot point.

Some sector-watchers suggest that previous warnings already made them wary. That said, forecasts had previously ranged between a small profit and James Capel's estimate of a £500,000 loss. Today, they are closer to a £2m deficit, although as one analyst put it: "That is really a pig in a poke."

Not surprisingly, Blacks has been quick to seize the initiative, hinting that if it does not wish to proceed, there are conditions to the offer that could let it back off. But while undoubtedly there is pressure to get Goldberg to spell out the losses to date, some analysts are sceptical over the seriousness of this threat.

Even if Blacks does plough on, the choices for Goldberg shareholders do not look overappetising at present.

True, Mr Goldberg remains optimistic about the possibilities for trading initiatives – talking of two trial refits at Wrygges this autumn – and cost-cutting measures have been stressed. But, with dividends doubtful and forecasts for 1990/91 only ranging between break-even and a £1m profit, shareholders would have to be patient.

On the other side, they are being offered paper in a company which has issued more than its fair share in recent years, and which has a record that is scarcely gilt-edged.

Perhaps the only consolation is that these are still early days. There has already been speculation that Blacks might add some cash to its offer and analysts – although not over-hopeful – do not rule out "white knight" possibilities.

Since the shares have now clattered back from 180p to 150p, investors are probably best advised to stay put for the present.

Southwest Resources chairman ousted

By John Ridding

MR MAX LEWINSOHN has been ousted as chairman of Southwest Resources, the USM-quoted oil and gas company. His departure had been expected following his resignation from the board of Dominion International last week.

Dominion holds 45.6 per cent of Southwest's shares and, according to a company spokesman, Dominion had "made it clear that they wanted someone else to represent them." Mr Lewinsohn will receive no compensation, Southwest said.

Mr Carl Openshaw, Dominion's recently appointed managing director, is to become a non-executive director of Southwest. In addition, Mr James Meynell is appointed non-executive chairman and Mr Kenneth Keep is appointed managing director. Both were already on the board.

Mr Keep said yesterday that current trading was "satisfactory." The receipts from May's rights issue have now been received and group borrowings have consequently been reduced from £16m to about £6m. In the year to March 31, Southwest reported pre-tax losses of £11m.

First-half losses increase at Baldwin

Increased pre-tax losses of £994,000 compared with a restated £658,000 were announced by Baldwin for the six months ended April 30. The result partly reflects the seasonality of its tour operating business.

Turnover for the company, which has interests in leisure, printing and property, was £13.91m (£5.17m).

Despite the result the directors are lifting the interim dividend to 1.15p (1p). Losses per share came through at 4.3p (4.1p).

There was an extraordinary £253,000 profit (£95,000 loss) arising from disposal of the brick and concrete businesses for £2m in May.

The company has changed its year end from April to October.

Echosound fails to buy Invicta stake

Echosound Investments, an investment holding company with interests in commercial radio companies, has failed in its attempt to buy 10 per cent of Invicta Sound, a Kent based independent radio company.

Deloitte Corporate Finance had launched a tender on Echosound's behalf to buy the stake at 170p per share. However, by the closing date acceptances for less than 1 per cent of Invicta's shares had been received and all will be returned to their owners.

A spokesman for Deloitte said he was not surprised by the outcome. The tender was launched on July 27, the first day of dealing in Invicta's shares. Since then its shares have climbed to over 200p.

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Philip Morris Cos. (Section: Americans).

Thornton Asian Emerging Markets Inv. Trust (Investment Trusts).

Umeco (Engineering).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- BICC, EBC, Evans Halshaw, Ibex, Kalon, Palma, Rentokil, Richardson Westgarth.

Finals- Resort Hotels, Sheldon Jones, Telford.

FUTURE DATES

Interims-

AOT	Sep. 5
Associated British Ports	Sep. 14
Bilston & Battersea	Sep. 21
Bletchley Motor	Sep. 1
Cattle's	Aug. 24
Dean & Bowes	Sep. 19
Gold & Base Metal Mines	Aug. 24
Highcroft Investment Tst	Sep. 21
Perry	Sep. 6
Psion	Sep. 4
Steel Burrill Jones	Aug. 30
Tilley International	Aug. 25
Watts Blake Bearn	Oct. 2
Finals-	
Cala	Sep. 19
Cons Plantations Berhad	Sep. 1
Kleinwort Benson Int Inc	Sep. 7
Mainmet	Aug. 22

Board changes at Cray Electronics

By Clare Pearson

MR BERNARD COLLINS is to relinquish his executive responsibilities at Cray Electronics, the electronic equipment manufacturer. He has resigned as chief executive but will remain group chairman.

The announcement followed the company's release last month of disappointing interim results. These appeared to bring to the boil simmering City discontent over Cray's accounting policies.

Cray said: "The board has noted comments on the group's accounting policies. With the assistance of independent outside advice...it will be carrying out a review of these policies."

Mr Brian Mead, finance director, retains his post for the time being. But he will soon assume responsibility for the services division, and for advanced materials.

Cray showed, in the half-year to April 29, a 30 per cent rise in pre-tax profits to £17.03m. But analysts were disappointed to see property profits of £2.99m above the line as well as the capitalisation of £3.68m of product development expenditure. In underlying terms, profits actually fell.

Cray said it was taking steps to recruit a new group chief executive and had established an appointments committee.

Lowe Bell confirms plans of a buy-out

By Ray Bashford

LOWE BELL Communications, the public relations arm of Lowe Howard-Spink & Bell, yesterday confirmed that a management buy-out was being planned.

Mr Piers Pottinger, the chairman of Lowe Bell Financial, part of the public relations group, said that "friendly" discussions have been taking place for four months with the parent company whose principal activities are in advertising.

The deal is being led by Mr Tim Bell, who is deputy chairman of the parent company, and Mr Pottinger. Financial support is being sought from at least two other potential backers and Hambros-Magan has been retained as financial adviser.

Agreement on the buy-out was "a long way off", Mr Pottinger said. "We are having preliminary discussions. Nothing has been agreed on the financing and it is far too early for us to go into detail," he added.

Takare more than doubled

TAKARE, the nursing home proprietor which operates under the slogan "Who cares wins", has more than doubled its pre-tax profits in the six months to June 30.

This company – which came to the Third Market in January 1988 and gained a full listing this May, and without changing its corporate form – made £827,000 (£405,000) on turnover up 52 per cent to £3.63m (£2.39m).

Tax took £83,000 (£61,000), leaving earnings lifted to 8.1p (4p) per share. The maiden interim dividend is 1p. There was an extraordinary credit of £510,000 (nil) relating to the after-tax profit on the disposal of Pendyne Nursing Home.

Mr Keith Bradshaw, chairman, said he confidently reaffirmed the profit forecast of £2.1m for 1989 stated in the prospectus in April. He also confirmed that Takare would commence construction of not less than 720 beds during the current year for a total at the year-end of 1,005 beds in operation and 720 in the course of construction.

Frank Usher profits on a plateau

Turnover at Frank Usher continued to improve but increases in administrative expenses and interest resulted in a plateauing of profits.

For the year ended May 31 1989 this USM-quoted designer and maker of dresses and special occasion wear made a pre-tax profit of £1.29m on turnover of £13.32m. That related to two seasons, compared with the effective three covered by the previous accounting period of 16 months; then the profit was £1.88m on sales of £18m.

Administrative expenses were £3.32m (£4m) and interest charges came to £523,000 (£136,000). Last time there was also an exceptional debit of £85,000 for additional rent; rates and other overheads incurred in a move to new headquarters. Earnings amounted 13p (17.5p). A final dividend of 4p effectively holds the annual total at 6p.

AIT unveils terms of its partial unitisation plan

AUSTRALIA Investment Trust, a subsidiary of Tyndall Holdings, reported pre-tax profits of £446,841 for the nine months to June 30. At that date net asset value per 50p share stood at 107.75p.

In January the company changed its year end from September 30 to December 31 and the current period is of 15 months. Earnings per share worked through at 1.62p after tax of £169,585. An interim dividend of 0.5p is being paid.

In June the directors announced a partial unitisation plan which would enable shareholders to realise their investment at a value more closely reflecting AIT's underlying net asset value. Shareholders will be offered, in exchange for their exisiting holdings, a choice of units in an existing authorised unit trust managed by Tyndall Unit Managers and expected to be named Tyndall Austral Value Trust, or shares and warrants in Pacific Horizon Investment Trust, to be listed in London.

Directors said they continued to believe there was a good case for approved investment trust status to have been retained and discussions with the Inland Revenue continued.

COMPANY NEWS IN BRIEF

ACCO-REXEL, office product group, has acquired King Mec, an Italian maker and ditributor of filing products and computer supplies with annual sales of L27bn.

ALPHA ESTATES has contracted to acquire a development site at Sugarwell Works, Leeds, for £1m, to be financed through a partnership. The £1m will be met as to 25 per cent by partnership equity, to which Alpha will contribute £75,000, and 75 per cent partnership borrowings. The company will be entitled to 50 per cent of the partnership's profits.

CITYVISION is raising £7.2m through a placing of 2.62m ordinary shares at 245p and 426,000 preference shares at 205p per share, to fund further acquisitions and the store opening programme. In addition, several directors have sold a total of 370,000 existing shares at 245p.

GARTMORE VALUE Investments: Earnings 1.61p in period to July 31 1989 and paying first interim dividend of 0.8p. Net asset value per share 53.7p.

IMRY MERCHANT: Marketchief speaks for 87.9m ordinary shares (89.13 per cent) and 33.7m preference (90.05 per cent). Offers declared unconditional and remain open.

LEIGH INTERESTS has bought Modern Disposals for £1.35m in 410,000 ordinary shares.

MERGER CLEARANCE: The proposed acquisition by Courtaulds of Product Research and Chemical Corporation (remaining 89.5 per cent interest) will not be referred to the MMC.

MOLYNEUX ESTATES has acquired the freehold of 80-100 High Street, Banstead, Surrey, for £2.65m; it comprises 12 shops, nine flats and 5,200 sq ft of office space producing £154,175 annually subject to rent reviews starting in December. Molyneux has paid £360,000 for the freehold of 14 Church Street, Weybridge, which generates £35,020 per annum.

PENTLAND INDUSTRIES: proposed acquisition by Bertrams Investment Trust not being referred to Monopolies Commission.

TRIPLEX LLOYD has acquired Testing Inspection Laboratories, based in the West Midlands, for £225,000.

URS INTERNATIONAL: The placing and open offer were approved at special meeting of stockholders. Thortec irrevocably undertook not to take up any of its entitlement to 168m shares (64.1 per cent) which have been placed with institutions and others. Of the remaining 94m shares, 62m (65.9 per cent) have been taken by existing shareholders and the balance subscribed for by the underwriters. ANZ McCaughan Merchant Bank is therefore interested in 11 per cent of enlarged share capital.

VANTAGE SECURITIES: Earnings for first half 1989 were 0.964p (0.698p) and interim dividend again 0.6p. Gross revenue £73,065 (£66,670). Net asset value 126.9p (112.3p) per share.

WOOD (GRAHAM) is buying Hewgate for £1m of which £678,000 being paid initially – 80 per cent of consideration will be in cash. Hewgate's operations encompass design and build contracts, provision of metal roofing, refurbishment and development projects; in the year ended March 31 1989 it incurred a loss of £142,000 (profit £80,000).

FINANCIAL TIMES STOCK INDICES

	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 11	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs.	87.60	87.58	87.42	87.24	87.46	87.32	89.29	83.75	127.4	49.18
Fixed Interest	97.69	97.72	97.63	97.59	97.66	97.67	99.59	95.21	105.4	50.53
Ordinary	1979.0	1975.0	1961.8	1947.8	1950.3	1969.6	1979.0	1447.8	1979.0	49.4
Gold Mines	204.0	203.8	205.2	201.4	199.7	200.7	206.0	154.7	734.7	43.5
FT-Act All Share	1204.75	1198.30	1192.13	1183.44	1182.81	1196.73	1204.75	921.22	1238 57	61.92
FT-SE 100	2375.1	2360.0	2345.8	2326.2	2325.9	2354.2	2375.1	1782.8	2443.4	986.9

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55.49	56.04xd	59.62	4.60	40000
Gilts & Fixed Int	6	113.30	113.30	120.20	8.32	40001
High Inc Equity	6	140.80	143.7xd	152.9	4.15	40002
Worldwide Bond	6	203.2	203.2xd	215.3	4.92	40003
Capital Growth						
American Growth	6	196.90	196.90	210.60	0.90	40004
Asian Pacific	6	106.10	108.10	115.0	1.13	40005
Assets & Earnings	6	165.6	165.6	177.2	2.09	40006
Capital Reserve Acc	0	87.19	87.19	87.29	4.58	40007
Energy & Energy	6	113.3	113.3	121.2	1.57	40008
1992 Enterprise	6	60.37	61.53xd	65.46	1.96	46597
European Capital	6	92.44	93.22	99.18	0.76	40009
General	6	186.90	186.90xd	199.9	2.50	40010
International	6	53.42	53.34	56.75	0.88	–
Japan	6	117.70	117.7	125.9	0.00	40011
Mastertrust	6	91.21	91.21	97.56	1.74	40012
UK Growth Acc	6	207.1	216.1	229.9	1.22	40013
UK Growth Dist	6	138.2	144.1	153.4	1.83	40014
US Emerging Cos	6	55.13	56.75	60.38	0.00	40015
Income & Growth	6	319.90	325.7	346.5	2.96	40016
Ethical	6	50.61	51.88	53.20	1.81	40017
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833590						
Amer Inc & Growth	5	33.94	33.94	36.24	2.95	40019
European	5¼	69.27	69.45	74.13	0.00	40025
European Income	5¼	66.64	66.64xd	71.14	2.79	41377
Exempt	1	851.8	851.8	889.0	1.90	41379
Extra Income	5	46.83	46.83	49.99	4.34	40021
F East Emerg Econs	5¼	52.82	52.84xd	56.59	0.52	41380
Fund Inv Tst	5	134.6	134.6	143.7	2.07	40100
Do Accum	5	209.6	209.6	223.7	2.06	40101
Gilt & Fixed Int	5¼	21.91	22.55	24.07	10.14	40026
Income & Growth	5¼	78.32	78.32xd	83.60	3.71	40029
Intl Income	5¼	67.37	67.37xd	71.92	4.86	41382
Japan	5¼	204.9	204.9xd	218.8	0.00	40071
Pacific	5¼	392.2	393.8	421.8	0.53	41384
Secure Income	5	211.0	211.0xd	225.2	5.57	41385
Smaller Companies	5¼	64.02	64.02	68.35	2.06	41386
Special Situations	5¼	76.26	76.26	81.41	1.26	40032
UK Growth	5	40.64	40.64	43.44	2.21	40102
World Growth	5	53.58	53.58	57.20	0.25	40020
Acorn Unit Trust Managers Ltd (1100)F						
1 White Hart Yd, London Bridge SE1 1NX 01-407 5966						
Ethical Tst	5	103.8	108.3	113.7	2.63	–
Do Accum	5	105.8	110.4	116	2.63	–
Aegis Unit Tst Mngmt Ltd (1400)F						
94 Whiteladies Rd, Bristol BS8 1QX 0272 237593						
Intl Growth	6	49.27	50.15	53.35	1.50	–

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Buckmaster Mangmt Co Ltd—Contd.						
Income	5	170.1	175.2	185.9	4.61	40210
(Accum Units)	5	331.7	341.7	362.5	4.61	40211
International	5	128.8	128.8	136.2	1.71	40212
(Accum Units)	5	177.1	177.1	187.3	1.71	40213
Smaller Co's	5	118.8	121.9	129.3	1.66	40214
(Accum Units)	5	130.6	133.9	142.1	1.66	40215
Inv Portfolio	2½	58.15	60.22	62.08	3.30	–
(Accum Units)	2½	60.37	62.51	64.44	3.30	–
High Income Port	3	50.89	51.29	53.15	5.92	–
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Str Dvd Gilt & FI	1¼	53.96	53.96	54.77	2.88	40216
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Grth	5½	49.72	49.72	53.48	1.39	–
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD 01-740 7070						
UK General Tst	5½	59.37	60.31	64.50	2.23	40217
Global Tst	5½	46.70	47.21	50.49	2.01	40218
Recovery Tst	5½	53.02	53.02	56.96	1.92	40219
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	117.2	118.6	125.1	3.39	40220
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS Americas F	5	63.67	63.67	67.73	0.54	40221
CS International F	5	63.01	63.01	67.03	1.47	40222
CS Japan F	5	139.1	139.1	147.9	0.31	40223
CS Portfolio Inv & F	5	77.72	77.72xd	82.68	1.56	40224
Canada Life Unit Tst Mgrs Ltd (1200)F						
2-6 High St, Potters Bar, Herts 0707 51122						
Can Gen Dist	5	152.5	155.1xd	163.2	2.84	40225
Do Gen Accum	5	257.5	261.9	275.7	2.84	40226
Do Income Dist	5	101.1	103.2	108.7	5.18	40227
Do Inc Accum	5	231.7	236.5	248.9	5.18	40228
Gilt & Fxd Int	5	37.13	37.18xd	39.14	8.20	40229
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876 Dealing 0800 282621						
Growth	5½	41.17	41.17xd	44.03	2.30	40230
Income	5½	50.97	50.97xd	54.51	3.77	40231
Far East ♦	5½	39.55	40.27	42.84	0.05	40232
North American ♦	5½	39.61	40.21	42.78	1.68	40233
Global ♦	5½	56.19	57.13	60.78	1.61	40234
European	5½	59.19	60.17	64.01	0.84	40235
Japan ♦	5½	113.9	115.9	123.3	0.01	40236
Intl Currency Bd	5½	44.82	44.82	47.51	6.31	40237
Strategic Opps.	5½	56.12	56.12	60.02	1.22	46257
Capability Trust Mngrs Ltd (1200)F						
Admin 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 0277 227300 Dealing 0277 261010						
American & Gen	5	83.80	84.69	90.09	1.38	41562
(Accum Units)	5	87.50	88.42	94.06	1.38	41563
European Inc	5	58.79	59.18xd	62.93	1.01	41572
(Accum Units)	5	60.04	60.44xd	64.32	1.01	41573
Far East & Gen	5	69.04	69.04	73.45	0	41558
(Accum Units)	5	69.04	69.04	73.45	0	41559
Glenfriars	5	283.0	288.2	306.6	1.79	41566

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Provident Mutual Unit Tst Mgrs Ltd (0905)H						
25-31 Moorgate, London EC2R 6AA. 01-588 3963						
PM Equity Gth	5	126.0	127.6	135.7	2.54	41169
PM Income & Gth	5	105.9	107.0	113.8	4.60	41170
PM Nth Amer Gth	5	61.03	61.03	64.92	1.16	41171
PM European Gth	5	61.19	61.46	65.38	0.68	41172
PM Japan Gth	5	84.13	84.25	89.62	0.27	41173
PM Overseas Gth	5	57.42	57.42	61.08	0.43	41174

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours, ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39 Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	Yield Gross	City-line
American	132 0	139 0	–	43285
Building Soc Fd	173 0	183 0	–	43286
Balanced	292 0	308 0	–	43287
European	187 0	197 0	–	43289
GT Managed	188 0	198 0	–	43290
Gartmore Mngd	127 0	134 0	–	43291
German	133 0	140 0	–	43292
Gilt	184 0	194 0	–	43293
Global	50 0	53 0	–	–
High Inc	121 0	128 0	–	43294
International Equity	203 0	214 0	–	43295
Japan	262 0	276 0	–	43296
Managed	64 0	68 0	–	43297
Property	288 0	304 0	–	43298
R. W. Imperial Gold	152 0	160 0	–	43299
UK Equity	370 0	390 0	–	43300
Pension Funds				
American	157 0	166 0	–	43301
Building Soc Fd	174 0	184 0	–	43302
Balanced	225 0	237 0	–	43303
European	187 0	197.0	–	43305
German	117 0	124 0	–	43308
Gilt	158 0	167 0	–	43309
International Equity	148 0	156 0	–	43310
Japan	146 0	154.0	–	43311
Managed	68.0	72 0	–	43312
Property	221.0	233 0	–	43313
UK Equity	338.0	356 0	–	43314

Professional Life Assurance Co Ltd
Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	Yield Gross	City-line
Pensions Managed Fund	96 52	102 03	–	42263
Pensions Cash Fund	79.00	83 16	–	42264

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4BE 0539 733733
Managed Fund see Balanced Growth Managed Fund

Life Funds

	Bid Price	Offer Price	Yield Gross	City-line
Balanced Gwth Mngd	622 5	655 0	–	43315
Adventurous Mngd	135 3	142 4	–	46402
Secure Mngd	112 7	118 8	–	46403
Cash Fd	236 5	249 3	–	43316
Property Fund	291 1	309 7	–	43317

Prudential Holborn Pensions Ltd
30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	Yield Gross	City-line
Managed	594 8	626 2	–	43524
Equity	865 8	911 4	–	43525
Global Equity	257.5	271.1	–	43526
Fixed Interest	418 5	440 6	–	43527
Property	401 6	422.8	–	43528
Cash	159 7	168.2	–	43529
Index Linked Gilt	204 7	215.5	–	43530
Guaranteed	12 50		–	43531
International Money	205.8	216.7	–	43532
North American	84 0	88 5	–	43533
Japanese	152.2	160.3	–	43534
European	102 9	108 4	–	43535
Special Situations	124.3	130 9	–	43536
Communications	112.4	118 4	–	43537
Smaller Companies	116.4	122.6	–	43538
International Small Co.	142.9	150.5	–	46659

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	Yield Gross	City-line
Discretionary Aug 16	£165 09	170 86	–	43539
Equity Aug 16	£181.33	188.74	–	43540
International Aug 16	£28.05	28.97	–	43541
Intl Bond Aug 16	£12.77	12 94	–	43542
Fixed Int Aug 16	£74.42	75 41	–	43543
Index Linked Aug 16	£63 69	64 48	–	43544
Property Aug 16	£113 78	120.47	–	43545
Cash Aug 16	£21.3552	21.3552	–	43546
Pru-Linked Retirement Plan				
Managed Aug 15	402.5	419.3	–	43547
Cash Aug 15	200 5	208.9	–	43548
Prudential Pensions Investment Account				
Pens Mngd Aug 18	163 3	175 6	–	43549
Pens UK Eq Aug 18	321 8	347 4	–	43550
Pens Intl Aug 18	196.3	211 3	–	43551
Pens Fixed Aug 18	172.7	182 5	–	43552
Pens Index Lk Aug 18	162.8	172.1	–	43553
Pens Cash Aug 18	130 4	137.9	–	43554

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	Yield Gross	City-line
Aggressive Ptflio Fd	124 7	131 2	–	43555
Balanced Ptflio Fd	327.1	344.3	–	43556
Cautious Ptflio Fd	124 5	131 0	–	43557
Elite Fund	118 5	124 7	–	43558
European Fund	91 4	96 2	–	43559

Scottish Amicable—Contd.

	Bid Price	Offer Price	Yield Gross	City-line
Exempt Intal. Init	217 7	229.2	–	[illegible]
Do Accum.	342.6	360.7	–	[illegible]
Exempt. Prop. Init.	158.6	167 0	–	[illegible]
Do. Accum.	249 6	262.8	–	[illegible]
Exempt Cash Init.	128.8	135.6	–	[illegible]
Do. Accum.	202.7	213 4	–	[illegible]
Exempt Man. Init.	233 2	245.5	–	[illegible]
Do Accum	367 0	386 4	–	[illegible]
Building Society Fd	115.3	121.4	–	[illegible]

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	Yield Gross	City-line
Mixed	179.1	188.6	–	[illegible]
UK Equity	165.5	174.3	–	[illegible]
International	195.5	205.8	–	[illegible]
American	152.8	160.9	–	[illegible]
European	192 7	202.9	–	[illegible]
Japan	250.5	263 7	–	[illegible]
Pacific	235.7	248.2	–	[illegible]
Technology	180.5	190 1	–	[illegible]
Fixed Interest	126.8	133.5	–	[illegible]
Indexed Linked	111.6	117.5	–	[illegible]
Foreign Bond/Currency	148.9	156 8	–	[illegible]
Cash	123 6/7	130 2/6	–	[illegible]
Pens Mixed	486.8	512.5	–	[illegible]
Pens UK Equity	515.7	542 9	–	[illegible]
Pens International	574 2	604 5	–	[illegible]
Pens American	151.7	159.7	–	[illegible]
Pens European	200.0	210 6	–	[illegible]
Pens Japan	288 8	304.1	–	[illegible]
Pens Pacific	227.5	239 5	–	[illegible]
Pens Fixed Interest	212.2	223 4	–	[illegible]
Pens Index Linked	133 8	140 9	–	[illegible]
Pens Cash	181.25	190 788	–	[illegible]
Pens Property	200.3	210 9	–	[illegible]
Pens Ethical	118 3	124.6	–	–
Edinburgh Inv	232 4	244 7	–	[illegible]
Baillie Gifford Japan	214.7	226.1	–	[illegible]

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	Yield Gross	City-line
Property	182 8	192.6	–	[illegible]
UK Equity	245.9	259.0	–	[illegible]
American	181 8	191 5	–	[illegible]
Pacific	248 1	261.3	–	[illegible]

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

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[illegible]

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
2,000	Exch 11pc 1989	99 11/16	12.98	20.2	29Mar 29Sep	1256
601	Treas 5pc 1986-89	99	10.27	9.3	15Apr 15Oct	1329
174	Exch 10¼pcCv '89	99⅛	12.99	10.4	15May 15Nov	1255
1,000	Treas 13pc 1990‡‡	100 3/16	12.14	8.6	15Jul 15Jan	1300
500	Treas 2pc IL '90(84.6)	131 1/2	9.98	19.6	25Jul 25Jan	1311
1,400	Exch 11pc 1990‡‡	99⅛	12.32	12.7	12Aug 12Feb	1257
1,250	Exch. 12½pc 1990	100xd	12.73	16.8	22Sep 22Mar	1262
550	Treas. 3pc 1990	95⅝	9.43	3.4	8Nov 8May	1325
600	Treas 8¼pc 1987-90‡‡	97 11/16	11.43	9.5	15Dec 15Jun	1340
955	Treas. 8pc Cv 1990 ‡‡	97⅝	10.89	9.6	16Jul 16Jan	4680
1,887	Treas. 10pcCv 1990	97 11/16	11.88	20.3	25Apr 25Oct	1285
500	Exch 2½pc 1990	93¾	7.76	17.4	22May 22Nov	1270
2,200	Treas 11¾pc 1991	100¼	11.62	27.6	10Jul 10Jan	1292
400	Funding 5¾pc '87-91‡‡	93⅜	10.05	1.3	5Oct 5Apr	1275
400	Treas. 3pc 1991	90 13/16	8.89	6.4	13Nov 13May	1326
646	Treas 10pc Cv '91 ‡‡	97 13/16	11.30	27.6	12Jan 12Jul	1286
1,550	Exch. 11pc 1991	99⅝	11.12	20.3	25Apr 25Oct	1258
1,350	Treas. 8pc 1991	93¾	11.06	4.5	10Jun 10Dec	1335
900	Treas 12¾pc 1992‡‡	104 3/16	10.66	15.6	22Jul 22Jan	1297
1,600	Treas 10pc 1992	98 7/16xd	10.75	17.7	21Aug 21Feb	1283
1,400	Treas. 8pc 1992 ‡‡	93 13/16	10.80	7.3	13Oct 13Apr	1337
1,288	Treas 10½pc Cv 1992‡‡	99 7/16	10.73	31.3	7Nov 7May	1289
500	Treas. 3pc 1992	85⅝	8.92	5.5	11Dec 11Jun	1328
1,350	Exch. 12¼pc '92	103 11/16xd	10.70	19.7	25Feb 25Aug	1265
1,757	Exch 13½pc 1992	107¼xd	10.63	16.8	22Mar 22Sep	1266
950	Treas 8¾pc 1993	93⅛xd	10.47	12.7	18Aug 18Feb	—
1,850	Treas 10pc 1993‡‡	98 13/16	10.35	9.3	15Oct 15Apr	1279
1,100	Treas 12½pc 1993‡‡	106 5/16	10.39	27.6	14Jan 14Jul	1296
600	Funding 6pc 1993‡‡	88xd	9.67	9.8	15Mar 15Sep	1276
1,250	Treas 13¾pc 1993‡‡	111¼	10.32	17.4	23May 23Nov	1304
1,050	Treas. 8½pc 1994	93 5/16	10.37	27.6	3Aug 3Feb	—
600	Treas 14½pc 1994‡‡	115 11/16xd	10.19	26.7	1Sep 1Mar	1307
1,100	Exch 13½pc 1994	111¼	10.34	21.3	27Oct 27Apr	1267
1,400	Treas. 10pc Ln. 1994‡‡	99 5/16	10.18	3.5	9Dec 9Jun	1284

Five to Fifteen Years

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,550	Exch. 12½pc 1994	108 5/16xd	10.34	17.7	22Feb 22Aug	1263
1,600	Treas 9pc 1994‡‡	95 7/16	10.15	10.4	17May 17Nov	1345
2,350	Treas 12pc 1995	106 11/16	10.29	19.6	25Jul 25Jan	1294
229	Exch 3pc Gas 90-95	77	8.07	28.3	1Nov 1May	1271
2,100	Exch. 10¼pc 1995	97 15/16	10.20	14.6	21Jan 21Jul	1254
1,000	Treas 12¾pc 1995‡‡	111 5/16	10.13	10.4	15May 15Nov	1298
900	Treas. 14pc '96	116⅞	10.27	15.6	22Jul 22Jan	1305
750	Treas. 9pc 1992-96‡‡	95½xd	9.89	9.8	15Sep 15Mar	1344
1,350	Treas 15¼pc 1996‡‡	123⅞	10.17	28.3	3Nov 3May	1309
800	Exch 13¼pc 1996‡‡	114 11/16	10.14	10.4	15Nov 15May	1268
1,109	Conversion 10pc 1996	99⅝	10.06	10.4	15May 15Nov	1240
1,500	Treas 13¼pc 1997‡‡	115⅞	10.13	15.6	22Jul 22Jan	1302
3,100	Exch 10½pc 1997	102¼xd	10.06	17.7	21Aug 21Feb	1253
3,750	Treas 8¾pc 1997‡‡	93 15/32xd	9.88	26.7	1Mar 1Sep	1341
1,000	Exch 15pc 1997	125 11/16	10.27	21.3	27Apr 27Oct	1269
2,850	Exch. 9¾pc 1998	98 13/16	9.95	12.6	19Jul 19Jan	1273
1,000	Treas 6¾pc 1995-98‡‡	83 9/16	9.57	28.3	1Nov 1May	1331
1,100	Treas. 15½pc '98‡‡	131 5/16	10.13	21.2	30Mar 30Sep	1308
2,500	Exch. 12pc 1998	111 7/16	10.08	13.4	20May 20Nov	1259
1,250	Treas 9½pc 1999‡‡	98 11/16	9.71	8.6	15Jul 15Jan	1347
2,900	Exch. 12¼pc 1999	113 3/16	10.07	17.2	26Sep 26Mar	1264
1,252	Treas. 10½pc 1999	103⅝	9.95	12.4	19Nov 19May	1288
1,546	Conversion 10¼pc 1999	101 13/16	9.92	17.4	22May 22Nov	1242
1,200	Treas. 8½pc Ln 2000‡‡	92 3/16	9.67	21.6	28Jan 28Jul	1338
1,554	Conversion 9pc 2000‡‡	95⅛xd	9.70	28.7	3Sep 3Mar	1244
1,817	Treas. 13pc 2000	119	10.07	27.6	14Jan 14Jul	1299
1,050	Treas 10pc 2001	101¼xd	9.80	20.7	26Aug 26Feb	1280
1,250	Treas. 14pc '98-01	121¼	10.24	17.4	22Nov 22May	1306
802	Conversion 9¾pc 2001	99 13/16	9.76	4.7	10Feb 10Aug	1248
1,600	Exch. 12pc '99-02	111⅛	10.11	15.6	22Jul 22Jan	1261
716	Conversion 10pc 2002	102⅛	9.68	6.3	11Oct 11Apr	1241
1,450	Treas 9¾pc 2002	100 5/16xd	9.65	21.7	27Feb 27Aug	1349
1,300	Exch. 9pc 2002	95 5/16	9.59	12.4	19May 19Nov	1272
1,800	Treas 13¾pc 2000-03	123 11/16	10.12	19.6	25Jan 25Jul	1303
1,000	Treas 10pc 2003	103 5/16xd	9.55	2.8	8Mar 8Sep	1281
1,900	Treas. 11½pc 2001-04	110 11/16xd	9.92	14.8	19Sep 19Mar	1290
900	Treas. 10pc 2004	103 1/2	9.51	11.4	18Nov 18May	1282
443	Funding 3½pc '99-04	58⅝	8.48	29.6	14Jan 14Jul	1274

Over Fifteen Years

BRITISH FUNDS—Contd

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
1,362	Conversion 9½pc 2004	100 3/16	9.43	20.3	25Apr 25Oct	1246
1,881	Conversion 9½pc 2005	100½	9.41	13.3	18Oct 18Apr	1247
1,050	Exch.10½pc 2005	108 5/16xd	9.40	14.8	20Mar 20Sep	1251
2,200	Treas. 12½pc 2003-05	122 5/16	9.58	14.4	21May 21Nov	1295
1,800	Treas. 8pc 2002-06‡‡	88½	9.33	1.3	5Apr 5Oct	1334
702	Conversion 9¾pc 2006	103 11/16	9.33	10.4	15May 15Nov	1249
3,150	Treas. 11¾pc 2003-07	115 11/16	9.58	15.6	22Jul 22Jan	1293
1,446	Treas 8½pc 2007 ‡‡	93 13/16	9.18	9.6	16Jan 16Jul	1339
1,250	Treas. 13½pc '04-08	130 11/16	9.52	17.2	26Sep 26Mar	1301
1,800	Treas. 9pc 2008 ‡‡	98⅝	9.14	7.3	13Apr 13Oct	1343
1,000	Treas 8pc 2009	89 11/16	9.10	16.2	25Mar 25Sep	1336
369	Conv 9pc Ln 2011 ‡‡	99 5/16	9.05	29.6	12Jan 12Jul	1245
2,000	Treas. 5½pc 2008-12‡‡	66 13/16xd	8.93	4.8	10Mar 10Sep	1330
700	Treas. 7¾pc 2012-15‡‡	87¼	9.04	19.6	26Jul 26Jan	1332
1,000	Exch. 12pc '13-'17	128 5/16	9.08	8.5	12Jun 12Dec	1260

Undated

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
359	Consols 4pc	43½	—	26.6	1Feb 1Aug	1239
1,909	War Loan 3½pc‡‡	38⅝	—	25.4	1Jun 1Dec	1362
140	Conv. 3½pc '61 Aft	65 11/16	—	23.2	1Apr 1Oct	1243
56	Treas. 3pc '66 Aft	34 11/16	—	1.3	5Apr 5Oct	1324
276	Consols 2½pc	27⅝	—	1.6	5Ja Ap Jul O	1238
475	Treas. 2½pc	27⅝	—	23.2	1Apr 1Oct	1315

Index-Linked

Amount £m	Stock	Price £ (b)	Red. Yld. **	Last xd	Interest Due	City-line
650	Tr. 2pc '92‡‡(97.8)	112 3/8xd	2.77	17.8	23Mar 23Sep	1312
400	Do. 2 '94 (102.9)	105	2.86	10.4	16Nov 16May	—
1,000	Do. 2pc '96(67.9)	154 1/8xd	3.08	10.8	16Mar 16Sep	1313
900	Do 2½pc '01(78.3)	138 3/8xd	3.40	18.8	24Mar 24Sep	1316
800	Do. 2½pc '03(78.8)	127 11/16	3.45	13.4	20Nov 20May	1317
1,200	Do. 2pc '06(69.5)	131	3.48	12.6	19Jan 19Jul	1314
950	Do. 2½pc '09(78.8)	122 1/8	3.48	13.4	20Nov 20Mar	1318
1,350	Do. 2½pc '11(74.6)	127⅝xd	3.49	17.7	23Feb 23Aug	1319
1,100	Do. 2½pc '13(89.2)	106 3/8	3.45	10.7	16Feb 16Aug	1320
1,700	Do. 2½pc '16(81.6)	115 3/16	3.43	19.6	26Jan 26Jul	1321
1,400	Do. 2½pc '20(83.0)	112⅝	3.38	10.3	16Oct 16Apr	1322
900	Do. 2½pc '24‡‡(97.7)	95¼	3.33	12.6	17Jan 17Jul	1323

**Prospective real redemption rate on projected inflation of 5% (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for December 1988:110.3 and for July 1989:115.5

INT. BANK AND O'SEAS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
50	African Dv Bk 11¼ Ln 2010	106 3/16	10.39	1.12	4Jan 4Jun	—
100	Asian Dev Bk 10⅛pcLn2009	102⅛	9.99	28.3	24Mar 24Sep	—
100	Australia 13½pc 2010	126 3/32xd	10.40	23.12	28Jan 28Jul	—
100	Do. 11⅜pcLn2015	109 3/32	10.34	22.3	26Apr 26Oct	—
75	Euro Inv Bk 11pc Ln 2002	105 3/16	10.21	23.2	23Mar 23Sep	—
100	Do. 10¾pc2004	101 3/16	10.19	24.10	Apr Nov	—
75	Int-Am Dev Bk 12¼pc 2003	114 3/16	10.40	7.12	8Jan 8Jul	—
175	Do. 9¾pcLn 2015	96 3/16	10.08	13.10	15May 15Nov	—
75	Mlysia 10¾pcLn 2009	95xd	11.39	23.12	31Jan 31Jul	—
50	Utd. Mexican States 16½pc 2008	115	14.20	24.1	1Mar 1Sep	—

CORPORATION LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
32	Birmingham 13½pc 1989	99½	11.20	20.4	20Mar 20Nov	1838
45	Do. 11½pc 2012	107⅛	10.60	14.4	15May 15Nov	1837
40	GLC 6¾pc 1990-92	89½xd	11.70	17.7	15Feb 15Aug	2647
40	Leeds 13½pc 2006	121⅛	10.72	10.3	1Apr 1Oct	3146
5	Liverpool 3½pc Irred	30	—	14.7	1Ja Apr Jn Oc	3169
25	LCC 6¾pc '88-90	95½	10.90	14.7	10Jan 10Jul	3198
26	Do. 3pc '20 Aft	28xd	—	1.8	1Mar Jn S D	3197
7	Manchester 11½pc 2007	105½xd	10.80	31.3	25Apr 25Oct	3275

COMMONWEALTH & AFRICAN LOANS

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
14	NZ 7¼pc 1988-92	89¼	11.60	1.12	1Jan 1Jul	—
—	S Rhod 2½pc Non-Asstd.	206	—	—	1Apr 1Oct	—
4	Do. 4½pc 87-92 Asstd.	84½	9.33	14.7	7Feb 7Aug	—

LOANS

Building Societies

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
20	N'wide Anglia 11⅞pc 29.8.89	99 31/32	14.08	—	2Feb 29Aug	—
20	Do. 12⅞pc 18.9.89	99¾	13.83	10.2	12Mar 18Sep	—
20	Do. 12 5/16pc 2.10.89	99 11/16	13.93	27.2	26Mar 2Oct	—
20	Do. 11 13/16pc 6.11.89	99⅝	13.95	31.3	30Apr 6Nov	—
20	Do 12 5/16pc 4.12.89	99 1/2	13.81	28.4	28May 4Dec	—
20	Do. 12 13/16pc 2.1.90	99 13/16	13.83	30.5	2Jan 28Jun	—
20	Do. 12 3/16pc 29.1.90	99⅝	13.70	23.6	29Jan 23Jul	—
—	Do. 12 11/16pc 26.2.90	99 1/4	13.75	21.7	26Feb 20Aug	—
—	Do. 12⅞pc 19.3.90	99 1/4	14.14	—	19Mar 13Sep	—
20	Do. 13⅛pc 23.4.90	99 13/16	13.72	—	23Apr 17Oct	—
20	Do. 13pc 14.5.90	99⅝	13.71	—	14May 8Nov	—
—	Do 13 11/16pc 4/6/90	99 13/16	13.67	—	4Jun 30Nov	—
—	Do. 14 3/16pc 2.7.90	100 13/16	13.59	—	2Jly 26Dec	—
—	Do 13⅜pc 23.7.90	100 3/16	13.49	—	—	—
60	Do. 3⅞pcIL Ln 2021	104⅜xd	4.40	22.6	30Jan 31Jul	3465

Public Board and Ind.

Amount £m	Stock	Price £	Red. Yld.	Last xd	Interest Due	City-line
25	Met. Wtr. 3pc 'B'	46xd	10.63	1.8	1Mar 1Sep	3361

FOREIGN BONDS & RAILS

Amount £m	Stock	Price £	Div % Gross	Yld	Last xd	Interest Paid	City-line
7	Greek 7pc Ass	40	3.50	8.75	1.11	1May 1Nov	2763
4	Do 6pc 28 Stb Ass	40xd	3	7.50	1.2	1Feb 1Aug	2762
—	Do 4pc Mixed Ass	40xd	2	5.00	3.4	1Apr 1Oct	2761
1	Hung '24 Ass	80	2.75	3.37	3.5	1May	2955
40	Hydro Quebec 15pc 2011	135 1/2	25.00	10.74	27.10	31May 30Nov	—
30	Iceland 14½pc Ln 2016	125 ½xd	14.50	11.58	29.1	31Jan 31Jul	—
30	Ireland 9¾pc '91-96	92¼xd	9.75	11.40	15.2	1Mar 1Sep	3002

AMERICANS

[illegible]

Continued on next page

ISLE OF MAN (**)

[illegible]

LUXEMBOURG (**)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

OFFSHORE INSURANCES

[illegible]

Money Market Bank Accounts

[illegible]

Money Market Trust Funds

[illegible]

UNIT TRUST NOTES

[illegible]

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS – Contd

Market Cap. £m	Stock	Price £	Div Gross	Y'ld Gr's	Last xd	Dividends Paid	City-line
31,753.5	Gen. Elect. 63c	36⅞	$1.64	2.8	7.6	Ja Ap Je Oc	2675
—	General Host Corp $1	511p	30c	3.7	15.12	—	—
3,295.8	Gillette $1	28¼	96c	2.1	27.1	Mar Jun S D	2695
269.9	Gt American Bank Bk $1	823p	60c	4.6	28.10	Fe My Aug Nv	—
871.3	Greyhound $1½	22½	$1.32	3.7	30.5	Ja Ap Jy Oc	2778
706.4	Hasbro Inc 50c	13¾	16c	0.8	1.8	Ja No Au My	—
2,459.8	Honeywell $1½	56⅞	$2.10	2.4	23.5	Mar Jun S D	2919
2,506.2	Houston Inds.	21	$2.96	8.9	10.11	Mr Jc Se De	—
43,508.7	IBM Corpn $1¼	73½	$4.84	4.2	5.5	Mar Jun S D	2986
1.17	Image Storage/R.Sys.Inc	55p	—	—	—	—	2961
1,615.9	Ingersoll-Rand $2	30⅝	$1.20	2.5	16.5	Mar Jun S D	2979
2,099.3	Lockheed Crpn. $1	32	$1.80	3.6	15.2	Mar Jun S D	—
364.0	Lone Star Inds $1	22¼	$1.90	5.4	12.6	My Se N Mar	3216
802.7	Louisiana Land 15c	25¾	$1.00	2.4	26.5	Mar Jun S D	3222
733.2	Lowe's 50c	18½	48c	1.6	11.7	Jan Ap Jly Oc	—
1,269.4	Manuf. Hanover $1	26¼	$3.28	7.8	26.6	Jan Ap Jly Oc	3279
2,393.6	Merrill Lynch $1	22¼	$1.00	2.9	31.10	Feb My Au N	3351
595.8	Molex Inc	2348p	3.2c	—	—	—	3397
4,683.3	Morgan (JP) $2½	25⅞	$1.66	4.0	21.12	Jan Ap Jly O	3418
24,201.5	Morris (Philip)	101	$4.50	2.8	—	—	—
10,768.1	NYNEX $1	50¼	$4.36	5.5	27.6	F May Au N	—
398.0	PHH Corp.	23¼	$1.12	3.0	4.4	Ja Ap Jy Oct	—
—	Pacific Agr	180p	—	—	—	—	—
1,843.7	Pacificorp $3¼	26½	$2.76	6.3	18.7	Feb My Ag Nv	—
12,055.4	Pacific Telesis 10c	28	$1.88	4.2	12.85	Fe My Au No	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

Market Cap. £m	Stock	Price	Div Net	C'vr	Y'ld Gr's	Dividends Paid	City-line
28.4	Alumasc	215	7.65	4.7	27.2	Apr Oct	1575
11.6	Amber Ind. 10p	445	13.5	4.0	3.7	Jan Aug	1584
3.60	Amberley Group 2½p	60	u1.5	3.3	—	—	—
60.6	Amer. Bus. Syst. 5p	161	2.0	1.7	3.7	Jan Aug	1593
66.6	Amer Group Free A	£28¾	Q35%	5.2	12.87	December	1590

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

صورة من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.
Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. s Dividend and yield exclude a special payment. t Indicated dividend. u Forecast, or estimated annualised dividend rate. v Subject to local tax. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....γ	97	.....
Craig & Rose £1..γ	830	.....
Finlay Pkg 5p...γ	86	-2
Holt (Jos) 25p....γ	1330	-13

IRISH

Cap 8½% Ln 1991..γ	£98½	......
9pc Cap Ln 1996..γ	£100½	-½
Fin. 13% 97/02..γ	£121½	......
Arnotts ....γ	415	......
Carroll (P.J.)......γ	159	-1
Hall (R. & H.).....γ	168	..
Heiton Hldgs......γ	88	-12
Irish Ropes ......γ	205	-5
United Drug........γ	150	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons.......γ	38
Amstrad..........γ	11
BAT..............γ	80
BOC Grp...........γ	42
BSR..............γ	6½
BTR..............γ	32
Barclays..........γ	42
Blue Circle........γ	24
Boots.............γ	25
Bowaters..........γ	44
Brit Aerospace.....γ	52
British Steel......γ	7½
Brit. Telecom......γ	21
Burton Ord........γ	18
Cadburys..........γ	46
Charter Cons......γ	48
Comm Union........γ	32
Courtaulds........γ	30
FKI Babcock.......γ	14
FNFC..............γ	22
Gen Accident......γ	85
GEC...............γ	20
Glaxo.............γ	110
Grand Met.........γ	48
GUS 'A'...........γ	90
Guardian..........γ	18
GKN...............γ	34
Hanson............γ	16
Hawker Sidd.......γ	60
ICI...............γ	100
Jaguar............γ	28
Ladbroke..........γ	28
Legal & Gen.......γ	26
Lex Service.......γ	33
Lloyds Bank.......γ	29
Lucas Inds........γ	58
Marks & Spencer...γ	15
Midland Bk........γ	30
Morgan Grenfell...γ	24
Nat West Bk.......γ	25
P & O Dfd.........γ	55
Plessey...........γ	22
Polly Peck........γ	26
Racal Elect.......γ	20
RHM...............γ	42
Rank Org Ord......γ	88
Reed Intnl........γ	34
STC...............γ	32
Sears.............γ	10
Smithkline Bchm. A.γ	50
TI................γ	38
TSB...............γ	10
Tesco.............γ	14
Thorn EMI.........γ	58
Trust Houses......γ	24
T&N...............γ	18
Unilever..........γ	46
Vickers...........γ	18
Wellcome..........γ	42

Property

Brit Land.........γ	32
Land Securities...γ	52
MEPC..............γ	50
Randsworth........γ	28

Oils

Brit Petroleum....γ	21
Burmah Oil........γ	50
Calor.............γ	35
Charterhall.......γ	2½
Premier...........γ	9
Shell.............γ	32
Ultramar..........γ	26

Mines

Cons Gold.........γ	150
Lonrho............γ	30
RTZ...............γ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

CURRENCIES AND MONEY REVIEW

Australia follows the old country

"THE GENERAL buoyancy of the economy has been such that rates may need to remain high for quite some time to achieve the desired effect." This effect is the slowing of economic growth, and the call comes in the Reserve Bank of Australia's annual report, published last week.

If this sounds like another quote from a Bank of England quarterly bulletin, it is probably because Australia is suffering from some very similar problems to Britain, while the Australian Government faces a general election by the middle of next year.

Mr Dick Howard, economist at ANZ McCaughan, believes that if economic policies fail Mr Bob Hawke, the Prime Minister,will quickly distance himself from his Treasury Minister, Mr Paul Keating. Mr Howard sees two risks: one, that the economy remains strong and interest rates high, which is not the way to win an election; two, that rates remain high for too long, pushing the economy into a nose dive and a recession.

The Reserve Bank believes that the present stance should reduce spending, but there are risks it may not be sufficient to wind back the current account deficit. This was A$17.4bn in the last financial year, almost double the Treasury forecast of A$9.5bn. Last week it was announced that the July current account deficit was A$1.71bn, in line with most forecasts. This prompted Mr Keating to say that his forecast of a deficit of A$18.5bn for the present financial year looked very solid.

Monetary policy has been tightened, pushing commercial lending rates up to around 20 per cent. The Reserve Bank believes this will reduce demand, if applied vigorously and for long enough, but in the short term there may be an adverse impact on the balance of payments if high interest rates produce an appreciation of the Australian dollar.

Another important economic event for Australia last week was publication of the 1989-90 Budget statement. The State Bank of New South Wales said this raised four main questions: was it a responsible policy document, would it help avoid a recession, will it avert a downgrading of Australian debt by Moody's Investment Service and, fourthly, will it help interest rates to fall?

On the first issue the Government avoided the temptation of election giveaways, but according the State Bank the battle was lost a year ago when too much was given away in the form of tax cuts. The second point suggests there will be a slowdown in economic activity.

Thirdly, Moody's is expected to announce Australia's credit rating in the next two weeks. The State Bank says the budget makes it less likely there will be a downgrading, but ANZ McCaughan thinks Australia's economic performance has been poor enough to make it an evens bet. Lastly, there is no indication that it will lead to an early cut in interest rates.

State Bank NSW says that in the short term the budget is neutral for the economy, and in the long term it is negative. A large current account deficit means a build up of foreign debt, which combined with higher inflation is a recipe for a lower Australian dollar.

Mr Howard suggests there may be a knee jerk reaction if Moody's downgrades Australian Government debt. The local dollar could fall to 73.50 US cents from 75.65 cents, but according to Mr Howard it has already weakened far enough that a rally back to its present level is equally likely.

Colin Millham

£ IN NEW YORK

Aug.18	Close	Previous Close
£ Spot	1.5655-1.5665	1.5605-1.5615
1 month	0.62-0.61pm	0.63-0.61pm
3 months	1.81-1.78pm	1.81-1.78pm
12 months	5.90-5.80pm	6.03-5.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

Aug.18	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25706	1.47721
U.S Dollar	7	1.25173	1.05740
Canadian $	12.36	1.47992	1.24615
Austrian Sch.	5	17.1863	14.6101
Belgian Franc	7.75	51.0706	43.4037
Danish Krone	9½	9.48185	8.06110
Deutsche Mark	5.00	2.44087	2.07515
Neth.Guilder	6.00	2.75255	2.33950

CURRENCY MOVEMENTS

Aug.18	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.0	-20.0
U.S Dollar	71.4	-4.1
Canadian Dollar	105.2	+1.4
Austrian Schilling	106.4	+9.5
Belgian Franc	105.8	-6.2
Danish Krone	103.2	-1.7
Deutsche Mark	112.3	+19.9
Swiss Franc	106.9	+15.9

OTHER CURRENCIES

Aug.18	£	$
Argentina	1017.90-1026.35	650.00-655.00
Australia	2.0680-2.0705	1.3200-1.3210
Brazil	3.5600-3.5800	2.2720-2.2830
Finland	6.8960-6.9160	4.4040-4.4060
Greece	261.50-266.00	167.30-170.10
Hong Kong	12.2255-12.2385	7.8060-7.8080
Iran	116.50*	72.70*
Korea(Sth)	1040.50-1048.85	666.10-671.50
Kuwait	0.46560-0.46700	0.29805-0.29885
Luxembourg	63.95-64.05	40.90-41.00

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Aug.18	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.566	3.063	223.5	10.33	2.640	3.450	2198	1.846	64.00
$	0.639	1	1.956	142.7	6.596	1.686	2.203	1404	1.179	40.87
DM	0.326	0.511	1	72.97	3.373	0.862	1.126	717.6	0.603	20.89
YEN	4.474	7.007	13.70	1000.	46.22	11.81	15.44	9834	8.260	286.4
F Fr.	0.968	1.516	2.965	216.4	10.	2.556	3.340	2128	1.787	61.96
S Fr.	0.379	0.593	1.160	84.66	3.913	1	1.307	832.6	0.699	24.24
H Fl.	0.290	0.474	0.888	64.78	2.994	0.765	1	637.1	0.535	18.55
Lira	0.455	0.712	1.394	101.7	4.700	1.201	1.570	1000.	0.840	29.12
C $	0.542	0.848	1.659	121.1	5.596	1.430	1.869	1191	1	34.67
B Fr.	1.563	2.447	4.786	349.2	16.14	4.125	5.391	3434	2.884	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

MONEY MARKETS

Data revives thoughts of lower base rates

LAST WEEK'S UK economic news was encouraging, pointing to a slow down in growth and an easing of inflationary pressure. Retail sales in July fell an unexpected 0.6 per cent, after rising 2.3 per cent in June, while input producer prices fell 0.9 per cent, against forecasts of a 0.3 per cent decline.

The July PSBR repayment was £1.4bn, compared with expectations of £1.25bn and manufacturing production fell 0.7 per cent, against suggestions of a 0.3 per cent rise.

UK clearing bank base lending rate 14 per cent from May 24

An underlying rise of 9.0 per cent in UK average earnings came as a considerable surprise. The City expected a rise to 9.5 per cent from 9.25 per cent. Lending by banks and building societies of £6.9bn in July was only slightly below the June figure of £7bn, but M0 money supply growth showed a rise of only 0.3 per cent in July, against expectations of 0.5 per cent and M4 money supply rose 0.6 per cent, compared with forecasts of 1.1 per cent.

But perhaps the most heartening figure was a rise of 0.1 per cent in July retail prices, bringing the year-on-year inflation rate down to 8.2 per cent from 8.3 per cent.

These figures were better than feared, renewing speculation about lower interest rates. Rumblings in the City suggest that the economy may be coming to heel quicker than expected, giving the opportunity for a cut in base rates around the time of the October Conservative Party Conference. Three-month sterling interbank was unchanged on the week at 13 13/16-13¾ per cent, but if base rates are cut in October talk in the City of an early general election may increase.

GRANVILLE SPONSORED SECURITIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Fri Aug 18 1989 US Dollar Index	% change since Dec.30 '88	Pound Sterling Index	Local Currency Index	% change local currency since Dec.30 '88	Gross Div. Yield	Thu Aug 17 1989 US Dollar Index	Pound Sterling Index	Local Currency Index	Dollar Index 1989 High	1989 Low	Year ago (approx)
Australia (85)	149.39	+3.4	141.48	131.21	+16.5	4.73	150.11	142.80	131.99	157.12	128.28	102.10
Austria (19)	136.43	+42.2	129.20	138.89	+56.7	1.75	134.90	128.33	138.14	139.65	92.84	98.18
Belgium (63)	133.19	−1.4	126.13	134.66	+8.2	4.11	132.57	126.11	134.69	137.97	125.58	110.62
Canada (124)	151.10	+20.3	143.09	129.00	+18.9	3.10	151.16	143.79	129.43	153.59	124.67	118.88
Denmark (36)	199.76	+17.2	189.18	206.69	+30.0	1.52	198.30	188.64	208.06	219.89	185.33	127.44
Finland (26)	137.11	+4.8	129.85	126.76	+10.9	2.17	135.06	128.48	125.33	159.16	125.61	134.48
France (126)	126.25	+9.7	119.57	130.61	+19.5	2.89	125.92	119.78	131.30	133.44	112.57	90.50
West Germany (100)	94.71	+7.7	89.69	96.28	+16.7	2.12	94.03	89.45	98.23	100.53	79.56	73.38
Hong Kong (48)	108.00	−3.4	102.28	108.25	−3.4	5.00	109.89	104.54	110.14	140.33	86.41	104.39
Ireland (17)	153.91	+16.8	145.76	159.11	+28.9	2.64	155.57	147.99	161.42	166.69	125.00	133.02
Italy (97)	93.53	+9.8	88.58	98.08	+18.1	2.29	92.03	87.55	97.19	95.04	74.97	72.70
Japan (455)	186.76	−2.5	176.86	168.53	+11.4	0.47	185.51	176.48	168.69	200.11	164.22	165.04
Malaysia (36)	189.61	+32.1	179.57	196.22	+31.1	2.47	190.35	181.08	198.93	193.38	143.35	142.44
Mexico (13)	280.24	+73.2	265.39	767.52	+89.6	0.86	273.86	260.52	762.04	280.24	153.32	180.83
Netherland (43)	126.14	+12.2	119.46	126.89	+23.5	4.08	126.29	120.14	127.91	130.67	110.63	108.73
New Zealand (20)	82.30	+21.7	77.94	74.32	+30.4	4.56	81.88	77.90	74.33	82.30	62.84	77.60
Norway (24)	181.00	+30.3	171.41	175.35	+41.6	1.47	177.84	168.99	172.78	198.39	139.92	118.03
Singapore (26)	167.87	+34.2	158.98	151.85	+35.5	1.83	169.37	161.12	152.98	170.82	124.57	124.58
South Africa (60)	154.06	+31.8	145.90	140.81	+43.1	3.96	152.40	144.98	139.09	154.97	115.38	110.07
Spain (43)	155.30	+4.7	147.08	143.77	+12.9	3.58	153.95	146.45	143.39	158.06	143.14	145.13
Sweden (35)	183.49	+26.9	173.77	180.03	+37.3	1.93	184.53	175.55	181.60	188.94	138.45	113.43
Switzerland (64)	89.55	+14.7	84.81	93.61	+28.7	2.02	89.05	84.71	93.89	94.18	87.81	75.91
United Kingdom (308)	152.99	+13.1	144.89	144.89	+30.6	4.03	151.38	144.00	144.00	158.41	133.28	131.27
USA (551)	140.87	+24.5	133.41	140.87	+24.5	3.24	140.28	133.45	140.28	142.07	112.13	108.44
Europe (1001)	127.56	+11.2	120.80	125.44	+24.8	3.27	126.55	120.38	125.15	132.62	112.63	103.92
Nordic (121)	169.35	+21.3	160.38	162.72	+32.1	1.75	168.88	160.66	162.86	178.38	137.95	109.33
Pacific Basin (670)	182.45	−2.1	172.78	164.87	+11.4	0.70	181.36	172.53	165.09	194.72	160.44	182.11
Euro−Pacific (1671)	160.58	+1.9	152.08	149.03	+15.3	1.53	159.53	151.76	149.06	166.98	141.56	138.84
North America (675)	141.38	+24.2	133.89	140.14	+24.1	3.23	140.83	133.97	139.62	142.64	112.79	107.10
Europe Ex. UK (693)	111.49	+9.7	105.58	113.45	+20.2	2.70	110.83	105.43	113.53	116.28	96.30	88.97
Pacific Ex. Japan (215)	130.50	+4.8	123.59	119.05	+11.6	4.49	131.52	125.12	120.09	137.65	111.93	126.81
World Ex. US (1868)	160.28	+2.6	151.77	148.50	+15.7	1.60	159.24	151.48	148.52	168.35	141.49	137.93
World Ex. UK (2111)	152.21	+8.6	144.14	145.99	+17.2	1.95	151.42	144.04	145.87	155.66	136.96	125.23
World Ex. So. Af. (2359)	152.25	+8.9	144.19	145.90	+18.3	2.13	151.39	144.02	145.73	156.92	136.67	125.81
World Ex. Japan (1964)	136.02	+18.6	128.81	134.36	+24.0	3.30	135.35	128.75	134.00	138.23	114.51	106.90
The World Index (2419)	152.26	+9.0	144.20	145.86	+18.4	2.14	151.40	144.02	145.68	155.89	136.68	125.75

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

CONSTITUENT CHANGES: Deletions: Arlington Secs. and Newarthill (both UK)(17/8/89)

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

JOTTER PAD

CROSSWORD

No.7,017 Set by DANTE

ACROSS

1 Rob irregular corporal of horse (6)
4 A relatively historical figure (8)
9 Young man went ahead and spooned (6)
10 and 14 down A sign that work is continuing normally (3,3,5)
11 Right-o, sweetheart (4,4)
13 Check an oarsman's support (6)
15 Dress with royal honour (4)
16 Can opener? (6,4)
19 One breaking art's rules in a strange way (10)
20 Take a chance with a letter (4)
23 Get out a piece of fire-fighting equipment (6)
25 Queen to disembark in state (8)
27 This bean soup is still produced in France (8)
28 Foul pass (6)
29 Wars need to be justified (8)
30 I spoil the games figuratively speaking (6)

DOWN

1 Brace of fresh lobster (7)
2 It's not even considered mathematically (3,6)
3 Fishermen use many spinners (6)
5 Name word as slogan for anti-international movement? (4)
6 Strangely happy in Eastern religious feast (8)
7 The thanks one gets from a Greek character (5)
8 It may be worn as a favour (7)
11 More than a couple of quid for a garment (7)
14 See 10 across
17 A girl takes drink, start of a good evening out (9)
18 Possibly press one for an answer (8)
19 Composer provides an uplifting manuscript with a neat twist (7)
21 Speech gets publicity coverage (7)
22 My clue for a lecture hall (5)
24 Expenses that are legally incurred (5)
26 Worn part of a brake (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday September 2.

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices August 18

MONTREAL
Closing prices August 18

Total Sales 6,852,485 shares.

INDICES

NEW YORK DOW JONES

	Aug 18	Aug 17	Aug 16	Aug 15	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2687.97	2679.83	2693.29	2687.78	2712.63 (10/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.99	93.11	93.30	93.30	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1442.39	1428.34	1401.67	1403.63	1442.39 (18/8)	959.95 (3/1)	1419 63 (10/8/89)	12.32 (8/7/32)
Utilities	216.93	216.55	218.31	216.23	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2697.27 (2703.72) Low 2665.97 (2663.13)

STANDARD AND POOR'S	Aug 18	Aug 17	Aug 16	Aug 15	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	346.03	344.45	345.66	344.71	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	395.84	394.27	395.73	394.71	399.68 (8/8)	318.66 (3/11)	399.68 (8/8/89)	3.62 (21/6/32)
Financial	33.12	33.00	33.14	32.98	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	192.64	191.95	192.64	192.08	194.23 (8/8)	154.98 (3/1)	194.23 (8/8/89)	4.46 (25/4/42)
Amex Mkt. Value	379.18	378.34	379.60	379.82	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	461.97	460.83	460.79	460.91	463.55 (10/8)	378.56 (3/1)	463.55 (10/8/89)	54.87 (31/10/72)

	Aug 11	Aug 4	July 28	year ago (approx.)
Dow Industrial Div. Yield	3.43	3.41	3.44	3.73

	Aug 16	Aug 9	Aug 2	year ago (approx.)
S & P Industrial div. yield	2.87	2.86	3.28	3.29
S & P Indl. P/E ratio	14.44	14.49	14.43	13.57

TRADING ACTIVITY † Volume Millions	Aug 18	Aug 17	Aug 16
New York	147.144	157.560	151.097
Amex	11.927	14.773	14.956
OTC	134.520	136.319	129.246

NEW YORK	Aug 18	Aug 17	Aug 16
Issues Traded	1,968	1,973	1,982
Rises	766	557	801
Falls	640	882	655
Unchanged	562	534	519
New Highs	53	57	94
New Lows	16	17	13

CANADA

TORONTO	Aug 18	Aug 17	Aug 16	Aug 15	1989 High	1989 Low
Metals & Minerals	3790.1	3792.9	3801.5	3778.1	3790.1 (18/8)	3207.5 (3/1)
Composite	3981.9	3994.1	4013.4	4002.1	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2014.62	2023.07	2035.23	2027.46	2035.23 (10/8)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Texas Utilities	2,395,200	32⅞	+ ⅛	Navistar	1,576,900	4⅞	—
Exxon	2,027,600	43⅞	....	Gen Electric	1,557,800	58	+ ⅛
Bard	2,003,200	20	− 1½	Georgia GF	1,557,800	54½	+ 3½
Maytag	1,764,300	23¼	+ 1⅞	Am T & T	1,537,200	39½	+ ½
Phillips Pet	1,629,000	23⅝	+ ⅛	Phil Elec	1,516,300	22½	− ⅛

	Aug. 18	Aug. 17	Aug. 16	Aug. 15	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1717.0	1726.7	1719.4	1713.4	1726.7 (17/8)	1412.9 (7/4)
All Mining (1/1/80)	811.4	818.7	815.2	809.2	818.7 (17/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	396.04	395.92	396.62	(c)	396.62 (16/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6433.97	6400.55	(u)	(c)	6433.97 (18/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	341.17	336.96	333 09	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	779.2	774.8	772.3	769.1	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	508.2	509.6	509.8	(c)	509.8 (16/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	121.3	122.6	122.2	(c)	122.6 (17/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	650.24	650.27	655.82	647.10	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1945.2	1945.2	1962.0	1935 0	1990.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1575.77	1576.16	1581.04	1573.65	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2573.16	2616.98	2635.90	2638.19	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	715.29	708.65	693.22	(c)	715.29 (18/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35063.14	35090.11	35084.15	34810.6	35090.11 (17/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2652.50	2652.96	2650.61	2633.33	2652.95 (17/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tr.Rtn.Gen.(End 1983)	264.2	266.2	265.2	263.7	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	205.5	207.0	206.3	205.1	207 0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	659.43	654.99	648.29	636.09	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1381.49	1375.56	1377.30	1371.57	1381.49 (18/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1660.0♦	1637.0	1660.0	1608.0	1685 0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2814.0♦	2797.0	2782.0	2765.0	2814.0 (18/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	313.18	312.11	311.42	(c)	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4595.2	4602.1	4660.3	4612.9	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	810.3	812.0	813.4	808.6	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	536.3	539.4	537.6	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday August 17 1989

AMEX COMPOSITE PRICES

4pm prices August 18

4pm prices / August 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A — A — A —								
33⅞	21¼	AAR	.44	1.4	21	65	32½	32⅜	32¼	-⅛
10⅛	8⅞	ACM n	1.01	11.		167	9½	9⅜	9½	+⅛
11⅝	10¼	ACMIn	1.26a	11.		844	11½	11⅜	11½	-⅛
10⅛	8½	ACM M	n1.01	11.		366	9¼	9⅛	9⅛	
11⅛	10	ACM Sc	1.26	11.		1311	11½	11¼	11½	+¼
9⅞	8⅞	ACMSp	1.01	11.		748	9⅛	9⅛	9⅛	
16	10⅞	AL Lab	.12	.8	17	162	16	15⅞	15⅞	-⅛
4⅛	3⅛	AMCA	.12e	3.1	28	70	3⅞	3⅞	3⅞	
6⅛	4½	AM Intl				348	5½	5⅜	5½	+⅛
23½	20⅝	AM In pf	2	9.2		30	22	21¾	21¾	-⅛
79¼	40⅞	AMR			9	7245	76¼	75½	76⅛	+⅞
24⅞	23¼	ANR pf	2.12	8.8		1	24	24	24	
8	3⅛	ARX				43	3⅞	3⅞	3⅞	
44⅛	35¼	ASA	3a	6.9		576	43⅝	43⅛	43¼	+⅜
22⅞	15¼	AVX	.24	1.2	9	92	19⅞	19⅝	19⅝	-¼
68	43¾	AbtLab	1.40	2.2	18	2132	64⅛	63⅜	63¾	+⅜
18½	13¼	Abitibi g	1			5	15⅛	15⅛	15⅛	
13	7½	AcmeC	.40	3.6		27	11⅛	11⅛	11⅛	
8⅜	5⅞	AcmeE	.32	3.6	21	81	u 9	8⅞	9	+½
34⅞	20¼	Acusn			23	226	33⅛	32⅞	32¾	-⅜
16⅞	14¼	AdaEx	1.82e	11.		73	16⅛	16	16⅛	
11⅞	6½	Adobe				50	11	10¾	10⅞	
19⅜	16½	Adob pf	1.84	9.8		7	18¾	18⅜	18¾	+⅛
21⅝	19⅞	Adob pf	2.40	11.		11	21⅛	20⅞	21⅛	+⅛
12⅜	7⅛	AMD				832	8½	8⅜	8½	+⅛
36½	28⅞	AMD pf	3	9.6		7	31⅜	31⅛	31⅜	+¼
10⅛	6⅜	Advest	.12	1.4	15	193	9	8¾	8⅞	-⅛
60⅛	46	AetnLf	2.76	4.7	9	1259	58⅞	58⅜	58¼	-⅛
14	12⅜	AfilPb				3417	13⅜	13	13⅛	-⅛
23¾	14⅜	Ahmans	.88	4.0	11	2560	22¼	22	22¼	

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.%	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
9½	8⅛	PruStr	1.08a	12.		698	8⅝	8½	8⅝	+ ⅛
25	19½	PSvCol	2	8.2	13	597	24⅝	24⅜	24½	+ ⅛
78⅝	68¾	PSCol pf7.15		9.3		z100	76½	76½	76½	+1⅞
23⅞	20½	PSCol pf2.10		9.0		4	23¼	23¼	23¼	– ⅛
6½	3½	vjPSNH			40	1256	4¼	4	4	– ⅛
17¼	8	vjPSNH pf				z350	16½	16¼	16⅜	– ½
17½	8	vjPNH pfB				24	16⅞	16¼	16½	– ⅛
19⅞	8¼	vjPNH pfC				8	18⅞	18½	18⅞	– ¼
18⅞	8½	vjPNH pfD				20	18	17½	17½	– ⅞
18⅝	8¼	vjPNH pfE				35	17¾	17½	17⅝	– ⅝
18	8¼	vjPNH pfF				32	18¼	16⅝	16⅝	– ⅝
17⅞	8½	vjPNH pfG				38	17	16⅝	17	+ ⅛
15⅞	10¾	PSvNM	.30j			1231	15⅛	15	15	
28½	22	PSEG	2.04	7.5	10	1438	27⅜	27	27⅜	+ ⅛
46⅛	40¼	PSEG pf4.08		9.0		z350	46	45½	45½	– ⅜
87	77¾	PSEG pf8.08		9.5		z250	86	85½	85½	–1½
86½	73¼	PSEG pf7.52		8.9		z1500	84¾	84¾	84¾	+ ⅛
3⅝	2	Publick				28	2¾	2⅝	2⅝	+ ⅛
52¼	39¼	PR Cem	.65e	1.3	8	15	49¾	49¾	49¾	
22⅛	18	PugetP	1.76	8.0	10	797	22⅛	21¾	21⅞	+ ⅛
8⅜	7½	PHIGS	.86	11.		202	7¾	7½	7⅝	– ⅛
10⅝	9⅝	PHYM	n.06e	.6		440	10⅛	9⅞	10⅛	+ ⅛
9⅝	8⅝	PIGIT	1.07	11.		1229	9⅝	9¼	9⅜	+ ⅛
10¼	9⅝	PMMI	n.54e	5.4		730	10	9¾	9⅞	
9½	8⅝	PMIIT	1.08a	11.		808	9	8⅞	9	+ ⅛
9⅝	8¾	PMIT	1.10a	12.		770	9⅜	9¼	9¼	
9¾	8⅞	PPrIT	1.14	12.		2589	9½	9⅜	9⅜	– ⅛
10⅝	8	QMS				270	10⅝	10⅜	10⅝	
1⅛	5-16	Quartel				68	15-32	15-32	15-32	
68⅞	49½	QuakrO	1.20	1.9	25	747	64	63½	64	+ ⅛
21¾	14⅞	QuakSC	.80	4.9	23	677	16½	16	16⅜	+ ⅛
19	11⅞	Quanex	.32	2.0	7	82	16	15⅞	15⅞	
31¾	25⅞	Quanx pf2.28		8.1		1	28	28	28	
59½	37¾	Questar	3	6.8	2	1686	44⅝	43⅞	44⅜	+ ⅜
12¾	9⅞	QstVl	1.20e	9.5		x377	12¾	12½	12⅝	+ ⅛
13	7¼	QstVC				385	12⅝	12¼	12½	– ⅛
39	31	Questar	1.86	5.1	28	6	37½	37⅜	37¼	– ⅛
[illegible]										

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.%	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	51¾	Xerox	3	4.5	18	1910	67	68⅝	67	+ ⅛
44¾	29⅝	XTRA	.72	2.2	10	165	32⅛	32⅝	32⅛	+ ⅛
33	24½	XTRA pf1.94		7.4		109	26¼	25¾	26¼	
4⅛	2	Zapata				797	2⅜	2¼	2¼	– ⅛
22⅝	16¼	ZenithE				584	17⅜	17⅛	17¼	– ⅛
10⅜	8⅞	ZenInc	1.28	14.		x243	9⅛	9⅛	9⅛	+ ⅛
2⅝	1⅛	vjZenLb				237	1⅜	1¼	1¼	– ⅛
20¼	15	ZeroNtl	.84	4.4	9	23	19⅜	19¼	19¼	– ⅛
22⅞	14¾	Zero	.50	2.3	17	427	22¼	21⅞	21⅞	– ⅛
44¾	21¼	Zurnin	.68	1.7	18	461	39⅞	39⅛	39½	– ⅜
12	10	Zweig	1.09e	9.2		320	11⅞	11¾	11⅞	
10⅛	8¾	Zweig n	.98	10.		1697	9⅝	9½	9⅝	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales infull. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 4pm prices August 18

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
WiserO	.40	43 98	16⅞	16⅝	16⅞	
Wolohn	.28	9 32	18¼	17¾	18¼	+ ½
WivEx h		52	7½	7½	7½	
Worthg	.56	16 279	25¼	25	25¼	+ ⅛
Wyman	.60	188 384	18⅛	18⅛	18⅛	+ ⅛

– X–Y–Z –

Stock	Div.	Sales 100s	High	Low	Last	Chng
XL Dta s		18 178	24	23¼	23½	+ ⅛
XOMA		584	19⅛	19	19	– ½
Xicor		9 191	6	5⅞	5⅞	
YelowF	.76	11 203	30⅝	30⅛	30⅝	+ ⅜
Zycad		1408	2⅞	2¾	2⅞	

The Business Column

The myth of the global village

International financial markets are often held up as a prime example of how modern telecommunications has loosened the constraints of time and space by making possible instantaneous real-time transactions between centres thousands of miles apart.

Yet if technology is making distance irrelevant, why should location still matter? Why does so much of the world's financial business remain concentrated in New York, Tokyo and London? And why do traders still huddle together in crowded dealing rooms, rather than transport their green screens to rural areas with lower living costs and a better quality of life?

One explanation is that no communications system, however technically advanced, can entirely supplant personal contact in what is, fundamentally, a "people" business. Research into televised video conferences between executives in different locations suggests that they may increase, rather than reduce, the need for face-to-face meetings.

A recent report* by the Organisation for Economic Co-operation and Development suggests a different reason. It asserts that the more sophisticated telecommunications becomes, the more it favours established business centres at the expense of the periphery.

The nub of the OECD's argument is that, while telecommunications is in the throes of a supply-side revolution triggered by technological innovation, its development will in future be increasingly demand-led.

More, not less centralisation

Many forecasts, it says, have wrongly assumed that the topography of the information highways of tomorrow will be modelled on traditional voice telephone networks, which have developed in response to the needs of individuals. Instead, the real driving force will be the pressure to tie together the computers which handle rapidly growing flows of business information.

The consequence may well be less decentralisation of economic activity, not more. Though computer networks make it easier for companies to link up geographically remote sites, these do not necessarily gain autonomy. In some organisations, indeed, the availability of advanced data communications has drawn more decision-making authority to the centre.

Furthermore, because use of such networks is normally reserved for the companies which operate them, they do not enrich the communications infrastructure in the remote regions they serve.

These trends seem likely to be reinforced by the spread of telecommunications liberalisation. In a competitive environment, investments by public networks will no longer be spread more or less evenly across countries but focused on those areas offering the highest return. By definition, they will be those where demand is strongest and customers can afford to pay most.

Regulation can redress the balance, though only to a limited extent. British Telecom is required by its licence to continue to operate a "universal" service nationwide. But the obligation covers only basic services and excludes the growing range of premium electronic business services which BT expects to provide much of its future growth.

The OECD's thesis rests heavily on the assumption that the development of advanced telecommunications will involve huge investments in infrastructure. Yet, as the organisation itself points out, economic projections based on an extrapolation of perceived technological trends are often wrong. It is at least conceivable that innovation will throw up ways to bring sophisticated services to remote regions at low cost.

If the OECD is right, however, we are not heading for the "global village" forecast by some techno-pundits. Left to the market, the natural tendency of the information economy would be to create privileged conurbations, in which the rich would go on getting steadily richer.

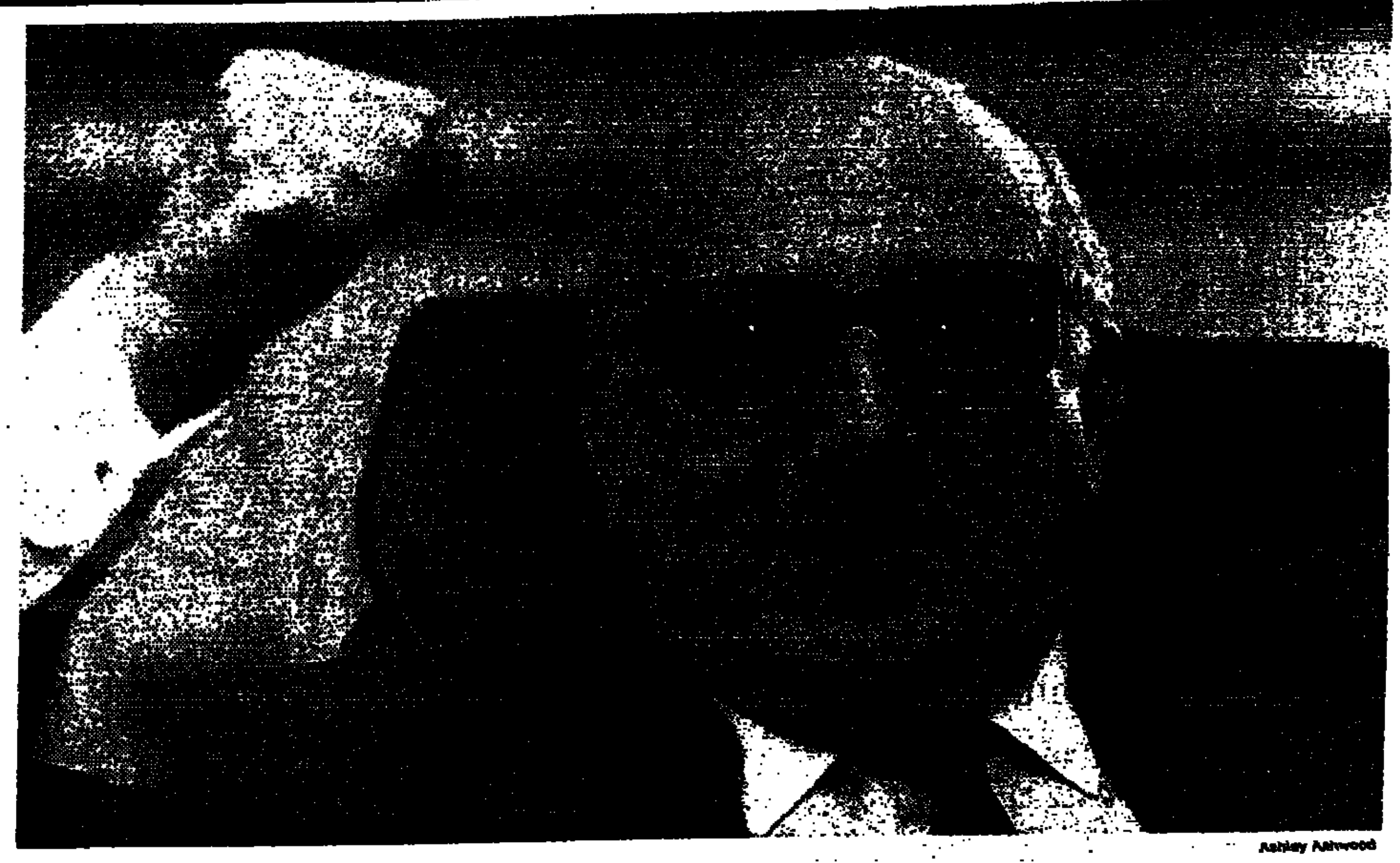
Guy de Jonquières

**OECD Science/Technology/Industry Review No. 5*

THE MONDAY INTERVIEW

A pirate mourns past fun

Sydney Mason, chairman of Hammerson Property for 31 years, talks to **Paul Cheeseright**



Ashley Ashwood

'Whizzy companies generally don't stay the course'

Sydney Mason is getting ready for casualties in the property industry. The veteran tycoon has seen them before. As for all British property men, the memory of the 1974 crash is stark. But, barring unforeseen circumstances, neither he nor Hammerson, the group he built up, will be going to hospital.

Hammerson is not too big to be taken over. Indeed, it had to work hard to foil a bid from the Dutch group, Rodamco, early this year. But with £2.5bn worth of property in Britain and around the globe, it is big enough, diverse enough, to cope with most things the British market can throw at it.

That is the achievement of Mr Mason, the most distinguished survivor of that generation of property men – the Samuels, Clores, Hyams – which provoked political wrath in the early 1970s but left a legacy of substantial investment groups. Mr Mason looks back over 40 years of property development from the early Victorian grace of 100 Park Lane, one of the swankier addresses in London.

And he sees trouble now from the ready availability of money for commercial property. "It promotes competition and too much competition puts prices up until you get an over-supply position and the balloon bursts."

That is now coming about, he says, as a result of the construction boom which started in London in the mid 1980s and spread outwards, fuelled by bank lending.

"There will be a softening of rents. The more supply, the bigger the choice for the tenants," warns Mr Mason. "It will be the fringes which suffer." By that he means the districts which ring traditional centres of economic activity.

So his recipe for survival through the lean times of a traditionally cyclical industry is simple. "The first thing is to make sure your location is not being pioneered." In other words, profitable property companies do not push outwards into the unknown if they want to develop offices. It is a highly conservative view and helps explain why, for example, it is left to Olympia & York of Canada to undertake the £3bn Canary Wharf development in London's Docklands.

Mr Mason dismisses Docklands. "I wouldn't think twice about it. We've had the chance for the last 15 or 20 years." And turned it down. "Land Securities, MEPC, Hammerson (the big three of the UK property industry) all had the same rule: location, location, location. And this hasn't changed.

"If you go off-location, your building costs will be the same. You might save some money on the site but you will need the same rent. If your location is poor, you won't rent. If the product is right and the location is right, you'll let it."

The explosion of property values over the last three years has led to a rapid expansion of development outside the established areas where Mr Mason now feels comfortable. "Availability of money encourages the property man to do the wrong thing."

So the likely casualties, as the cycle turns down and total returns from property (rent plus capital appreciation) slip back to more normal levels than the 30 per cent recorded last year, will probably be those who paid high prices for off-centre sites and used elaborate financing techniques for their developments.

"Whizzy companies generally don't stay the course," comments Mr Mason crisply. Hammerson, Land Securities and MEPC, by contrast, he sees as "solid, not dour." They are big enough, when times get rough and the demand for premises drops, to sit it out. Hammerson, anyway, has other strings to its bow. "I think I can claim I was the pioneer of the international development. Two thirds of my business is overseas – which deals with the cyclical business over here," says Mr Mason.

Still, he is prepared to concede that the present generation of developers – Rosehaugh, Stanhope, Speyhawk, London & Edinburgh Trust and a raft of others – are "probably more clever," certainly "very clever financially," than his own.

But in the 40 years since Mr Mason told the late Lewis Hammerson that he was 31 when he was only 28, got taken on for £600 a year, told to buy his own car and make his own pension arrangements, the property world has passed from restriction and innocence to greater freedom and financial sophistication.

In those days there was somebody else to pay for everything – if the developer got it right. "If you could create a value 50 per cent more than cost" – something that was easier to do in the 1950s than it is now – "you could get a two-thirds mortgage, so that was more than the cost. It was fixed interest money."

So "the objective was to make 50 per cent of enhanced value on the cost to throw up a two-thirds mortgage which would be serviced out of income. That was the way Land Securities and Hammerson got going. They were able to borrow the entire cost. Today's developers cannot get fixed interest mortgages without equity participation by the lender."

The large property investment groups like Hammerson remain cautious about their financing. No 100 per cent gearing or off-balance sheet financing for them. They are much more comfortable with debentures and other longer term debt instruments. This, combined with their range of assets in proven locations, is one reason why they have been regarded on the market as safe, defensive stocks.

Arguably, it was this defensive posture which made Hammerson look a bid target. Rodamco, the Dutch investment fund, saw that late last year and launched a takeover attempt, foiled when Standard Life Assurance, a longtime Hammerson shareholder, swooped on the market and increased its stake to 28.8 per cent. Hammerson had been riding with the surge in UK property values rather than exploiting them with aggressive acquisitions or developments. Mr Mason had clearly become more cautious over the years. Indeed, he now gives the impression that some excitement has gone out of the industry.

For him the fun was in piecing the sites together for development without alerting the market so that the prices went up; 12 different sites for Woolgate House in the City of London, "a secret cat-and-mouse game," or five for the shopping centre at Brent Cross in north London where "nobody realised we were putting 50 acres together."

But the years of patience – 17 to create Brent Cross – have taken their toll, reduced the willingness to take risks. "We don't buy a site without a planning consent attached to it." Now everything seems so serious. "We enjoyed being pirates and pioneers. It was the excitement which made us all look flamboyant characters. Nowadays it's all non-recourse loans, high-tech and five-year, upwards only, rent reviews."

Mr Mason's personal antidotes to this tedium are boats and racehorses, both of which fit the caricature of a property man, and the paint brush, which does not fit at all. He shuts himself up in a studio at his Henley-on-Thames home, puts big music on his record-player – Beethoven, Mahler, Orff, Tchaikovsky – and paints in acrylics and oils. He has just sold his second painting: £800 for a still life, a bowl of liquorice allsorts, on show at the Royal Academy summer exhibition. The buyer – surprise, surprise – was an estate agent.

In the studio he can brood about governments, about which property developers have an ambivalent attitude. He started his career at a time of building licences. He lived through the imposition of office development permits by the Labour Government of the 1960s and faced what he called his worst trauma in the property crash of 1974.

Mr Mason's view of that crisis is simple: "Development came to a halt and the financial security of the banks was destroyed by commercial rent control. All values went down the tube. Many property companies who had borrowed money from the wrong source went broke. They were made insolvent by commercial rent control."

There are no such controls now and if there are failures coming in the commercial property industry, they will be among companies which have become over-exposed at a time of expensive borrowing, slackening demand and increasing supplies of space – Mr Mason's burst balloon.

Although construction of this increasing supply of space has been led by demand, it has also been encouraged by the Government's relaxations in the planning system. This is a relaxation that, given Hammerson's investment in town centres, Mr Mason treats with the greatest reserve.

"If you go beyond the limit you've got another load of derelict city centres." Mr Mason feels that with relaxation, the planning system has lost direction. But in his career, the planners ultimately have been of secondary importance. The two most important elements of his 40 years at Hammerson are, he says, "luck and inflation."

PERSONAL FILE

- **1920** Born, London. Educated at Addison School, Holland Park, West London
- **1943** Manager at Land Securities
- **1949** Joined Hammerson Property Investment and Development
- **1958** Chairman
- **1969** Started Woolgate House, Hammerson's first large City of London office building.
- **1976** Opened Brent Cross, the UK's first regional shopping centre.
- **1984** £47m acquisition of Mascan in Canada.
- **1989** Fought off bid by Rodamco

Poland's Communists look for a new role

Eastern Europe Notebook

Over the weekend, the Central Committee of the Polish United Workers' Party has been flooded with letters from angry members. According to Trybuna Ludu, the party daily which made these letters the main content of a front-page splash, they ask such questions as: "Who let this situation happen?" "Who is responsible for the party giving away its power?"

These questions, we may suppose, are tinged with fear; the removal of the party from supreme power leaves exposed thousands of petty local dictators, whose authority depended on being part of a political monopoly. It also leaves those who still believe in communism close to despair.

I spent some time with a colleague on Saturday walking about the Palace of Culture and Science, which is the dominant building in Warsaw. It was a personal gift from Stalin to the Polish people. Inside, it is magnificent: this, after all, was designed to provide a public space for the Polish proletariat in the style which the bourgeoisie had assumed belonged only to their opera houses, theatres and assemblies. Many of the rooms, including some of the toilets, are of marble. Everywhere, marble or bronze friezes celebrate fraternity, or labour, or the harvest of plenty. Sternly noble, big-bosomed women, holding sheaves of corn, stare at workers, who, in turn, strain towards an outer space.

I remembered my Polish stepfather, as bitter an anti-Communist as any, who had left his native land via a Soviet labour camp and the Free Polish Army, returning to Scotland after his first visit back home in the late 1950s, saying: "You have to hand it to those Communists; they've given the Poles what they want." It must have been the best time to be a Communist then, to be that 7 per cent or 8 per cent of the nation's vanguard.

But on Saturday, in the echoing corridors of the palace, the present-day proletarians were slapping up plywood stands for an exhibition of the products of private businesses – lots of them, from Warsaw and Lodz and Katowice. A kilometre away in the White House, as the PUWP central committee building is called, the proletarian party was chewing the cud of the loss of its leading role.

Later that evening, two of its bright, new, young central committee secretaries, Slawomir Wiatr and Marek Krol, came to a press conference and, with a curious mixture of arrogance and democrat-speak, told reporters that, well, yes, it was the end of an era, but, come now, it was not the end of the world – after all, no voices were raised for us to go into opposition. A part in a coalition government must be found for us which is greater than merely the defence and interior ministries (otherwise, said Krol, people will associate us only with the army and the police). We will fight, as the party first secretary, Mieczyslaw Rakowski, said, but that means purely politically, of course, though it won't be confined to parliament, Solidarity doesn't confine itself to that . . .

Meanwhile from Prague, came the uninhibited thunder of a party which believes it has kept its will and nerve when the Polish comrades have lost theirs. It may provide succour to those Poles for whose fear and anger Trybuna Ludu found space on its front page.

The choice of a Solidarity Prime Minister had been, said Rude Pravo, the Czech party paper, "the last nail in the coffin of socialism." The new wave of capitalism about to be unleashed on Poland would "put the Polish workers in the position of beggars." In fact, the workers of Poland *are* more beggarly than those of Czechoslovakia, where a command economy has retained more efficiency for longer. And, when they become, under a Solidarity-led government, the out-of-workers, the critique from Prague might resonate more strongly than at present.

But what is the Polish party to do? In the four decades of its power, it has piled up deaths, tortures, imprisonments, frame-ups, lies and injustice high and low – as well as every kind of economic mismanagement. It is no wonder it is fearful: as the state television cameras panned about Saturday's central committee meeting before it began, many members sat with hands too casually covering their faces.

These men and women must now prepare for a period where the vast network which is a ruling Communist Party is withdrawn from, or torn out of, schools, colleges, villages, collective farms, enterprises, offices, ministries and the armed forces and police.

In one of his answers to questions, Marek Krol, commenting cautiously on the mood of the party and the tone of the Saturday debate, said that "some members pointed to the fact that the reformist tendency in the party had won, that it had initiated the Round Table talks from which came the elections, and that it had promised to bear the responsibility for the reform process. Now, some of the central committee members are asking if it is possible to face the country and fulfil that responsibility." Or, to paraphrase it more bluntly, why did we allow ourselves to lose?

As, yesterday in Gdansk, nine years to the month after their movement began, the leaders and parliamentarians of Solidarity gathered to acclaim "their" Prime Minister, to hear him and his future labours given a benediction in St Brygida's Church, near the shipyard and, as they sought to determine how much power they would allow the Communists, it was not easy to imagine the frustrated and bitter idealists of Polish communism finding a base for a comeback.

But as the crowds gathered to hear the new, mild-mannered Prime Minister try to strike an inspirational note which was clearly not his natural mode, there were those who said that the Communists must still have a kick left in them.

Outside, a small group of young men under the banners of "fighting Solidarity" and "the confederation for an independent Poland" kept up determined barracking which ran: "We don't want a Prime Minister; we want bread; down with the Communists, down with the Communists." If Tadeusz Mazowiecki does not succeed in providing more than bread, that sentiment may raise the Communists again.

John Lloyd